| | | | | | |
|---|---|---|---|---|---|
| Austria | Sch26 | Indonesia | Rp3100 | Philippines | Pes40 |
| Bahrain | Din0.700 | Iran | [illegible] | Portugal | Esc130 |
| Belgium | BFr65 | Israel | [illegible] | Qatar | [illegible] |
| Cyprus | C£0.90 | Italy | L2000 | S.Arabia | SR7.00 |
| Denmark | DKr12.00 | Jordan | Fils1000 | Singapore | S$4.10 |
| Egypt | E£3.25 | Kuwait | Fils500 | Spain | Pta185 |
| Finland | [illegible] | Lebanon | [illegible] | Sweden | SKr12 |
| France | FFr7.00 | Lux | LFr65 | Switz | SFr2.50 |
| Germany | [illegible] | Malaysia | [illegible] | Thailand | [illegible] |
| Greece | Dr150 | Morocco | [illegible] | Tunisia | [illegible] |
| Hong Kong | HK$12 | Neth | Fl3.25 | Turkey | [illegible] |
| Hungary | Ft167 | Nigeria | Naira10 | UAE | Dh7.00 |
| Iceland | IKr160 | Norway | NKr12.00 | | |
| India | Rs15 | Oman | OR2 | | |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES


FOREIGN AFFAIRS

What did you do for Hong Kong, Daddy?

Page 19

No.31,079 • THE FINANCIAL TIMES LIMITED 1990

Tuesday February 20 1990

ΦD 8523A

## World News

### Kaunda urges ANC to drop the armed struggle

President Kenneth Kaunda of Zambia urged the African National Congress to suspend its armed struggle against apartheid, but ruled out an early easing of sanctions against South Africa.

The immediate suspension of military operations by the ANC would encourage Pretoria along the path to political reform, Kaunda said in an interview with the Financial Times. Page 20

**SA power sabotaged**
The changing relationship between Pretoria and the ANC was underlined when both sides responded cautiously to sabotage of a Johannesburg power substation. Page 3

**Kopp goes on trial**
The trial of Elisabeth Kopp, the first woman to hold a Swiss cabinet post, opened in Lausanne as the Government faced an outcry over disclosure of secret files. Page 20

**Carlsson deadline**
Sweden's caretaker Prime Minister Ingvar Carlsson was given a deadline of tomorrow to form a new government. Page 20

**Germany in Nato**
The US believes the Soviet Union will come round to accepting that a united Germany should be a member of the Nato alliance with US forces remaining in Europe. Page 6

**ETA bomb blamed**
Two guerrillas from Spain's Basque separatist movement ETA are suspected in the bombing of a Colombian airliner that killed all 107 people aboard last November.

**Palestinians strike**
Palestinian strikers closed shops, businesses and schools throughout the West Bank and Gaza Strip over what they fear will be a massive settlement of Soviet Jewish immigrants.

**Duarte 'near death'**
José Napoleon Duarte, the cancer-stricken former president of El Salvador, has a blood clot on his lungs and is near death, his doctor said.

**China explains**
China said its purchase of a US aircraft parts manufacturer, blocked by President Bush on national security grounds, was entirely legal.

**Pipeline blown up**
Left-wing rebels are suspected of having blown up the main oil pipeline in northern Colombia, forcing the suspension of pumping, the state oil company Ecopetrol said.

**Manila offered aid**
US Defence Secretary Dick Cheney pledged *continued aid* to the Philippines in a bid to defuse diplomatic tension as police battled hundreds of left-wingers protesting against his visit. Page 3

**Neutral Lithuania**
Lithuanian Communist Party leader Algirdas Brazauskas called in Vilnius for negotiations with the Kremlin to turn his republic into an independent, neutral state.

**Gadaffi in Sinai**
President Hosni Mubarak took Libyan leader Muammer Gadaffi to the Sinai Peninsula in an attempt to show him that Egypt's peacemaking policy has paid dividends.

**Lesotho arrests**
Three members of Lesotho's ruling six-man military council were arrested after troops surrounded government offices in the capital, Maseru.

**Cosmonauts return**
Soviet cosmonauts Alexander Viktorenko and Alexander Serebrov returned to earth after a five-month mission in the space station Mir.

## Business Summary

### Poulenc to take 35% stake in Roussel

French Government is to transfer the bulk of its 36.25 per cent holding in Roussel-Uclaf, French pharmaceuticals company controlled by Hoechst of West Germany, to Rhône-Poulenc, France's principal state-owned chemicals company.

Rhône-Poulenc will take 35 per cent of Roussel-Uclaf, worth around FFr3.5bn ($616m) at current stock market prices, and is also to discuss separately with Hoechst, which owns 54.5 per cent of Roussel-Uclaf, the possibility of working together in other sectors. Page 21

**MARKETS:** Nervousness about world interest rates led to a firmer tone on London money market. Page 44. Eurobond markets mirrored the deepening gloom in world government bond markets with prices falling among dollar, D-Mark and sterling issues. Page 27. Tokyo did not revel in the ruling Liberal Democratic Party victory but other Asian markets gained ground. Back page, Section II. Lex, Page 20.

**AEROSPACE:** The market for new aircraft in eastern and central Europe over the next 10 years could be worth as much as $18bn, according to Garret FitzGerald, a member of the board of GPA, the Shannon-based leasing company. Page 20

**ARGENTINA'S** Economy Minister, Erman Antonio Gonzalez, has announced new measures to attack the country's public spending excesses. Page 6

**ALBANIA** is to allow foreign investment but Europe's most backward economy will not open up as widely as elsewhere within eastern Europe. Page 5

**DREXEL** Burnham Lambert has laid off 294 employees in the City of London, ranking among the largest bulk sackings in the City. Page 21

**SOUTH KOREA'S** current account surplus – in recent years one of the largest in the world – last year fell by 65 per cent to $5.1bn. Page 4

**KLEINWORT** Benson, London merchant bank, and Alex Brown, oldest US investment bank, have formed a joint venture company with $3.89bn of property assets under management. Page 22

**MONDADORI,** Italy's biggest publishing group, revealed that 1989 operating profits before tax fell to L160bn ($129m) from L219bn in 1988. Page 21

**NATIONAL** Westminster Bank will announce sharply lower profits for 1989, initiating what is expected to be a string of poor final results from the big UK clearing banks. Page 21

**CHINA** International Trust *and Investment Corp* is widening its Canadian interests by taking a one-third stake in an Alberta sawmill project, with planned export markets to include Taiwan. Page 5

**US** and South Korea agreed on several issues in their current dispute over telecommunications trade, reducing prospects of sanctions against South Korea. Page 5

**WOOLTRU,** South African retail and wholesale chain, gained market share in the six months to December despite the Government's squeeze on consumer spending. Page 25

**LORD STOKES** of Leyland, former chairman of British Leyland, is to take over from John Nash as non-executive chairman of Reliant Group, the USM-quoted vehicles and property group. Page 29

**The FT/AIBD** International Bond Service table appears today on Page 30. An incomplete version was printed in Monday's newspaper because of transmission problems.

**US MARKETS** were closed yesterday for President's Day.

# Tough US trade talks likely after Tokyo poll result

By **Nancy Dunne** in Washington and **Ian Rodger** in Tokyo

THE US is expected to toughen its stance in trade talks with Japan this week following the decisive victory of Japan's ruling Liberal Democratic Party (LDP) in Sunday's general election.

Both Japan and the US hope to avert a dangerous collision. They have so far made little progress in the Structural Impediments Initiative talks, aimed partly at expanding the access of imports to Japan's markets.

The third round of the negotiations begins on Thursday after a delay caused by the election campaign. Talks on access for US wood products, satellites and supercomputers are scheduled over the next two weeks.

The Bush Administration has so far taken a relatively soft line despite harsh words from Capitol Hill on what is seen as Japan's intractability. Mrs Carla Hills, US Trade Representative, has held Congress at bay with promises to act if she cannot persuade Japan to widen access to its markets.

She has shown understanding of the LDP's political plight, but urged Tokyo to move quickly once the elections were over "to address our concerns before political reaction here hamstrings our chances for constructive negotiations."

Mrs Hills is seeking a "down-payment" from Japan and a plan of action by the summer to demonstrate Japanese sincerity in addressing anti-competitive practices.

This could alleviate demands from Congress that the US list structural impediments under the "Super 301" clause of the US Omnibus Trade Act, paving the way for sanctions.

In a recent interview, Mrs Hills recognised the diverse shades of opinion in Japan. With continuity now assured by the LDP's victory, she can proceed with her plan to approach those Japanese officials she has found "forthcoming" to demand concessions the Administration needs if it is to win Congressional support for a Uruguay Round agreement at the end of the year.

There has been little enthu-

Continued on Page 20

Giving hostages to electoral fortune, Page 18

# East Germans vote to abolish food subsidies

By **Leslie Colitt** in East Berlin

THE EAST German Government and opposition voted overwhelmingly yesterday to abolish massive subsidies to the population which had kept basic food prices at an artificially low 1952 level.

The Round Table of government and opposition parties, which is serving as a caretaker government until next month's first free elections, said 30bn East German Marks in annual food subsidies should be abolished before the March 18 elections. They would be replaced by payments of 150 Marks a month to each of the country's nearly 16m citizens.

New Forum, the powerful opposition group which made the proposal, said the cutting of food subsidies before the elections would demonstrate the ability of the East German economy to reform itself.

East Germany, faced with massive over-consumption of energy and critical air pollution, advocated tripling the price of household electricity and cutting output of brown coal, of which it is the world's biggest producer.

The caretaker government of Mr Hans Modrow, the Prime Minister, yesterday presented a catalogue of sweeping energy measures to the Round Table. The 37-page report controversially advocates doubling nuclear energy from the current 10 per cent of electric power output with the help of western nuclear technology.

Citizens' groups, including New Forum which overthrew the old Communist leadership last October, are advocating the abandonment of nuclear power stations.

The current rock-bottom electricity price of 8 pfennigs (5 US cents) per kilowatt hour for East German households is unchanged since 1939. It would be tripled, according to the advice of the provisional gov-

Hans Modrow: sweeping energy measures

ernment which, however, is leaving a decision on whether to raise utility prices to the government chosen in the first free elections on March 18. The current 8bn Marks annual subsidy to maintain cheap electricity rates would be eliminated.

Brown coal output – a record 300m tonnes last year – would be slashed to about 200m tonnes by the end of the decade.

The energy shortfall would largely be made up by nuclear power and imports of electricity and natural gas from the west.

Along with other east European countries, East Germany was hit by a sudden cut in Soviet oil deliveries of 2.5m tonnes in the first quarter of this year.

The missing Soviet oil will lead to a further drain on the balance of payments, as exports of refined oil products to the west are East Germany's largest hard currency earner.

Neighbours look on uneasily; Genscher forces Cabinet into line, Page 2

# Eurotunnel share price rises as talks continue

By **Andrew Taylor** in London

THE SHARE price of Eurotunnel, the troubled Anglo-French consortium building the Channel tunnel, yesterday jumped 20p to 573p on the London stock market after the group moved to ease investors' fears over a row which has prevented it from drawing any further funds to pay its contractors.

At one stage yesterday the shares dipped below £5 but rallied after Eurotunnel announced that talks between the group, its contractors and bankers were making progress.

Eurotunnel is expected to announce shortly the appointment of a senior executive to strengthen its project management team.

The executive will be expected to act as a buffer between Mr Alastair Morton, Eurotunnel's chief executive, and contractors who have been criticised by Mr Morton for delays and the mounting cost of the project.

Eurotunnel and Transmanche Link, a consortium of five British and five French companies contracted to design and build the project, had hoped to make a joint statement yesterday but the construction companies said it was not possible to complete all legal requirements in time.

The new management structure was approved at a meeting between British contractors and Eurotunnel at a meeting at the Bank of England on Friday. The structure also has to be approved by the French contractors, but this is not expected to create a problem.

The new appointment is thought to be a senior executive from Bechtel, the large US construction group which already has several executives seconded to the project, both at Eurotunnel and at Transmanche Link.

The contractors protesting at Mr Morton's appointment last week as chief executive – he was formerly co-chairman of the group – have been refusing to sign an amended construction agreement which would allow Eurotunnel to start drawing down £400m ($676m) of temporary finance agreed with its bankers last month.

To complicate matters, Eurotunnel on Friday was ordered by the French courts to pay the contractors £62m in unpaid fees. Eurotunnel says it cannot comply until the contractors sign the agreement and its funds are unfrozen.

The cost of building the project has risen to £7.2bn, compared with an original forecast of £4.8bn.

The row with the contractors has flared at a time when engineers digging the tunnel, on both sides of the Channel, are making record progress. Transmanche said yesterday that 3km had been dug in the past 30 days by British and French contractors.

The progress on the British side is particularly encouraging given the delays last autumn. More than 4km of have been dug in the six weeks since January 8. This compares with just 2km by British engineers in the six weeks from October 1 to November 5 last year.

The rate of progress by French engineers over the same two periods has risen from 2.7km to 3.3km.

The increased pace is due in part to modifications which have been made to tunnel boring machines in response to more difficult ground conditions than had been expected under the Kent coast.

Bank plays peacemaker, Page 9; Editorial Comment, Page 18

# Romania promises crackdown on rioters

By **Judy Dempsey** in Bucharest

ROMANIA'S acting President, Mr Ion Iliescu, yesterday abandoned the Government's soft line on dissent and pledged to crack down on demonstrators who stormed the government building on Sunday.

In two unusually tough speeches, Mr Iliescu said the demonstrators would be severely punished because "they acted against the national interests." If the instability continued, he said in a radio and television speech, Romania would turn into "a new Lebanon."

Mr Iliescu said there was now a "need to issue decrees to defend and protect the people." He did not elaborate, but the impression is that if anti-government demonstrations continue, the authorities could be forced into introducing some form of martial law.

His warnings give an indication of the provisional Government's growing impatience and frustration with strikes, demonstrations and criticism directed against it and the National Salvation Front, which was catapulted into power during the December revolution which overthrew Nicolae Ceausescu.

The Government also senses that it must regain the initiative after repeatedly bowing to public pressure over the past six weeks.

Mr Iliescu, addressing the new Council of National Unity which is overseeing the running of the country until elections on May 20, said the demonstrators did not want "to rescue the revolution ... they were counter-revolutionaries." Nevertheless, he stressed that the Government remained determined "to promote democracy in Romania."

It remains unclear whether Sunday's demonstration, during which Mr Gelu Voican, deputy prime minister, was held for three hours by protesters, was spontaneous or organised.

Mr Iliescu said that groups are "acting to destabilise the situation. We still do not know who is behind these violent acts, or who is organising them." He said an investigation would be carried out against the scores of demonstrators arrested by the army.

Hundreds of miners arrived in Bucharest yesterday in a show of support for the Government, even though Mr Iliescu had asked them to remain at home, apparently believing that this would only fuel the tension in the capital.

The Government appears to accept that it has become counterproductive to rally workers and other sections of the population around it since pro-government demonstrations are being seen by sceptics as being manipulated similarly to anti-government protests.

The miners also hope to press their own demands, which include the dismissal of one of the ministers responsible for the mining industry.

So far the miners have staged no strikes and this has been crucial in maintaining energy supplies.

# Airbus receives no evidence of technical cause for India crash

By **K. K. Sharma** in New Delhi and **Paul Betts** in London

AIRBUS INDUSTRIE, the European aircraft consortium, said yesterday that it had received no evidence of any technical malfunction that could have contributed to last week's crash of an Indian Airlines' A-320 Airbus.

The Indian Government grounded the government-owned domestic carrier's 14 other A-320 aircraft at the weekend until an inquiry is completed.

Ninety of the 146 people aboard the aircraft were killed in the crash just before landing at Bangalore airport.

From its headquarters in Toulouse, France, Airbus said it believed the Indian authorities had listened to the cockpit voice recorder. But neither the company nor French government accident investigators in India knew the contents of the tape.

Flight services in India were severely disrupted yesterday after the Government's decision, taken amid controversy in India over the aircraft's safety.

An initial decision to continue flying the 150-seat A-320 was reversed by Mr Arif Mohammed Khan, Minister for Civil Aviation.

Mr Khan appointed a committee to inquire into the operational capabilities of the aircraft and suspended taking delivery of further A-320 aircraft. The aircraft involved in the crash was one of the 15 so far delivered under an order from Indian Airlines for 31 A-320s.

The Rs 20bn deal to buy the A-320 – agreed in 1985 when Indian Airlines changed its mind about buying Boeing 757s – has been dogged by controversy.

Other carriers have continued to operate their A-320 airliners normally. There are 77 A-320 currently in service including the Indian Airlines fleet.

Indian Airlines has faced passenger discontent following a series of delays in domestic flights using A-320 aircraft. The main complaint, supported by pilots and engineers of the carrier, is that necessary ground facilities were not made available for an aircraft with such sophisticated technology as the A-320. They have said that navigational and maintenance support at Indian airports, none of which has a fully equipped instrument landing system was inadequate for the aircraft.

Pilots have also complained of operational snags. Earlier this month, two cases of pressurisation failure were reported in the Bombay region. Such a failure in an A-320, which was forced to return to Madras after take-off last Saturday – soon after Thursday's crash – is thought to be one of the reasons behind the decision to ground the fleet.

Other snags reported by pilots in recent weeks include failures in hydraulic and auxiliary power units, as well as problems with landing gear retraction.

Some pilots and engineers have expressed doubt about the suitability of the A-320 to the heat and humidity of Indian weather conditions.

Airbus flies blind in an Indian mist, Page 20



## CONTENTS



**Troubled Papua New Guinea fights against secession**

These are not the best of times for Papua New Guinea. Falling prices of copra, cocoa and coffee have placed Prime Minister Rabbie Namaliu (left) under pressure and militant landowners threaten to secede. Page 4



## MARKETS

**STERLING**
London:
$1.7025 (1.6955)
DM2.855 (2.845)
FFr9.7 (9.6725)
SFr2.535 (2.5325)
Y248.25 (244.25)
£ Index 89.9 (89.7)

**LONDON MONEY**
3-month interbank:
closing 15$\frac{5}{32}$ (15$\frac{7}{32}$)

*Chief price changes yesterday: Page 21*

**DOLLAR**
London:
DM1.677 (1.6785)
FFr5.6975 (5.705)
SFr1.4885 (1.493)
Y144.6 (144.1)
$ Index 66.9 (67.1)
Tokyo close: Y144.52

**GOLD**
London:
$416.75 (417.75)

**N SEA OIL** (Argus)
Brent 15-day
$19.62 (19.625)

**STOCK INDICES**
FT-SE 100:
2,297.1 (-28.8)
FT Ordinary:
1,813.5 (-23.1)
FT-A All Share:
1,147.05 (-1.1%)
FT-A long gilt index high coupon:
Mar 85$\frac{7}{32}$ (86$\frac{2}{32}$)
Tokyo: Nikkei
37,222.60 (-237.72)

MARKET REPORTS: CURRENCIES, Page 44, BONDS Page 26,27
COMMODITIES, Page 32, EQUITIES Pages 37 (London), 45 (World)

# UK faces isolation in Community on S Africa

By Kieran Cooke in Dublin

BRITAIN may find itself isolated from the rest of the European Community when EC foreign ministers meet here today to discuss developments in South Africa.

The meeting provides the first opportunity since the release of Mr Nelson Mandela for a formal review of EC sanctions. The foreign ministers were last night awaiting the outcome of a promised call from Mr Nelson Mandela, the ANC leader, to Mrs Margaret Thatcher, British Prime Minister.

"I have a suggestion to make about sanctions," Mr Mandela said in a TV interview yesterday. He had had to consult the ANC's national executive committee to get their approval before making the call, he added.

Mrs Thatcher insists that sanctions against South Africa should start to be relaxed as a sign of support for the programme of reforms initiated by President De Klerk's government.

The UK Prime Minister has already moved to lift a voluntary ban on cultural links with South Africa and is proposing that the EC ban on "voluntary" investments should also be removed. If no agreement can be reached on such a step, Britain is expected to take unilateral action. The UK Government argues that if this does not happen, Mr De Klerk might face a white backlash which would stall reform.

Mr Charles Haughey, the Irish Prime Minister and current President of the European Council, has said "the great weight" of opinion within the EC is for a continuation of sanctions.

Mr Frans Andriessen, EC Commissioner for External Relations, said yesterday that pressure must be maintained on South Africa because a state of emergency is still in force. "Political prisoners are not released and there is no dialogue," he added.

While Mr Douglas Hurd, UK Foreign Secretary, could find himself in a minority of one at today's Dublin meeting, Irish officials stress it is not in the EC's interests to have a confrontation on sanctions.

Mr Haughey has talked of his role as arbiter between the Twelve, and it is likely that today's meeting will discuss a formula to take account of Britain's position, possibly involving some sort of EC information-gathering mission to assess latest developments in South Africa.

It is also likely that the EC will again commend Mr De Klerk's Government for releasing Mr Mandela, and for other reforms. Latest developments in Eastern Europe and the Soviet Union, EC relations with the US, the situation in Middle East and the Kampuchea question are other topics to be discussed at today's meeting. Preparations for a meeting of the 35-nation Conference on Security and Co-operation (CSCE) will be reviewed.

Last week, Mr Haughey announced that a special EC summit will be held in Dublin in April to discuss the question of German reunification. In Dublin today, Foreign Ministers are unlikely to go into detailed discussion on the issue, though it will be discussed in the context of the planned Inter-Governmental Conference (IGC) on EC monetary union.

West Germany does not want a meeting of the IGC until after its elections, which are due by December. But the French, in particular, see the IGC as vital for furthering the integration process in Europe. Paris wants an early commitment from Bonn that the process of EC integration will not be sidetracked by German unification.

DISPUTE OVER EAST GERMANY'S FUTURE MILITARY STATUS DEFUSED

# Genscher forces cabinet into line

By David Marsh in Bonn and Leslie Colitt in East Berlin

WEST GERMANY'S Foreign Minister, Mr Hans-Dietrich Genscher, yesterday forced a retreat by Mr Gerhard Stoltenberg, the Defence Minister, over the future military status of East Germany.

In an embarrassing climbdown for Mr Stoltenberg, the two ministers issued a statement saying that, in a future united Germany, troops from the Bundeswehr would not be moved on to the territory of present-day East Germany.

This backs up Mr Genscher's line that a unified Germany should remain in Nato, but that the alliance's military forces should not be extended to East Germany. The Foreign Minister regards this condition as essential to maintaining Soviet support for the principle of reunification.

Mr Stoltenberg last week, on the other hand, said that Nato could take over "protective functions" for East German territory. A dispute over the weekend on this point was amplified by Mr Genscher's desire not to be outflanked by Mr Stoltenberg in coalition bargaining over future conditions for German unity.

Another potential row within the Government over unity was defused yesterday when officials ruled out suggestions of tax increases to pay for the cost of absorbing East Germany.

Mr Norbert Blüm, the Employment Minister, caused irritation in government ranks by pointing to the option of tax increases in a weekend interview – a route which Mr Theo Waigel, the Finance Minister, has sternly refused to countenance.

In view of a coming series of state elections, culminating in the federal elections in December 1990, Bonn badly wants to avoid sparking off voters' resistance to reunification by suggesting that taxes will have to rise to finance it. Mr Blüm himself had to beat a retreat yesterday, denying that he had made any concrete suggestions of increasing taxation.

# Neighbours look on uneasily as German states accelerate towards unification

By David Marsh in Bonn

WEST GERMANY is well aware that, as the pace of unification hots up, its European neighbours are looking at the prospect of a powerful united German state with more unease than hope.

A significant gap has opened up between the US – which has given general support to German unity aspirations during the past few months – and Britain, France and Italy, where official reservations have come repeatedly to the fore.

The misgivings in the EC, however, need to be put into perspective. First, all West Germany's partners now appear to accept that unification is inevitable.

Second, among West Germany's main European allies only Britain in the shape of Mrs Margaret Thatcher is now publicly broadcasting worries about the process. West German officials long ago adopted the policy of regarding the British Prime Minister as "a special case".

Third, a growing body of German public opinion doubts whether the views of Germany's neighbours and partners are all that relevant. The success of Mr Hans-Dietrich Genscher, the Bonn Foreign Minister, in securing a place for the two German states at the coming unity conference of the four war-time Allies underlines how Bonn's political status has grown to match its economic muscle.

One Bonn official said yesterday that he thought Mrs Thatcher's sceptical remarks to the Board of Deputies of British Jews at the weekend "were not all that clever" as she could further lower Britain's popularity ratings. However, a senior official close to Chancellor Helmut Kohl commented that Britain itself now realised it was going through "an identity crisis" as a result of the prospective final loss of its 1945 victorious power status. "It's the end of the good old days," he said.

The following are the current positions of West Germany's leading EC partners:

■ **BRITAIN:**

"WHAT she cares about above all else is Britain's security," said one senior official when asked about Mrs Thatcher's outspoken remarks on the prospect of German unification, writes Philip Stephens.

Just a few months ago, Mrs Thatcher was convinced that unification was not on the agenda for the immediate future – or, at least, that the process could be stalled.

Her recognition in recent weeks of the inevitability (and speed) of the process has been accompanied by a typically Thatcherite determination to ensure that the framework for unification is not left entirely to Mr Kohl. Her advisers believe she is articulating concerns felt by many other western governments: that, unless there are firm safeguards, a unified Germany could threaten the post-war settlement which has guaranteed the peace in Europe.

Those safeguards should include clear and explicit recognition by Germany of its present borders and a continuing commitment to membership of Nato. To ensure that President Mikhail Gorbachev is not undermined, Soviet troops should be allowed to remain for an interim period on East German soil.

Both the tone and sharpness of Mrs Thatcher's remarks have added further strains to her already difficult personal relationship with Mr Kohl and have been questioned by some of her own supporters and by the Foreign Office.

The counter-argument is that quiet diplomacy – through the "two-plus-four" framework agreed last week in Ottawa – is far more likely to achieve results than "lecturing" the Germans.

**Mrs Thatcher was yesterday urged by Denmark to adopt a much more positive stand on German unification and the whole process of European integration, writes Robert Mauthner in London. Mr Uffe Ellemann-Jensen, the Danish Foreign Minister, said there was nothing that either Britain or Denmark could do to stop German unification. If Germany's allies did not play a constructive role in the new developments in Europe, there was a danger that German unification would take place outside the European framework.**

**"We want the UK to play a special and active role in Europe," Mr Ellemann-Jensen said in London, where he had talks with Mr Douglas Hurd, the British Foreign Secretary. "It is because of this that we are a little worried at the foot-dragging that is going on." He conceded that it was not so much the contents of Mrs Thatcher's statements on German unification - her warnings that it must proceed slowly, take into account the interests of its neighbours and respect the 1975 Helsinki accords - as the manner in which they were delivered.**

■ **FRANCE:**

The French Government accepts, without enthusiasm, that reunification is inevitable, but fears it could have a destabilising effect on Europe, east and west, writes Ian Davidson. In particular, the French are afraid that the Germans will become more dominant and more independent, and that they in turn will lose influence.

In a recent newspaper interview, President François Mitterrand reiterated the long-standing French commitment to "the fundamental right of self-determination of the Germans". But he also said that "the Germans must take account of the commitments which bind us to each other, of the security of Europe, of the future of the Community, and of the balance of Europe." He went on to insist that "neither West Germany nor the members of Nato would agree to a link between unification and neutralisation", and argued that a "common defence for Europe was required more than ever since the events in the east".

For historical reasons, France is especially anxious lest a reunited Germany should exercise political and economic dominance over its neighbours. In particular, there have been repeated worries in France that a united Germany could seek to loosen its ties with the EC.

The Government has long seen the events in eastern Europe as an additional reason for speeding up the development of the Community.

When the revolutions started sweeping east Europe last year, a French spokesman said: "Whatever the question, our answer is the same: More Europe".

■ **ITALY:**

In common with all its EC partners, Italy now accepts that reunification is inevitable. Even Mr Giulio Andreotti, the Prime Minister, is in favour, having spoken publicly against it five years ago, writes John Wyles.

However, Rome is extremely anxious that it should, as far as possible, be accompanied by east-west understandings on conventional force reductions, the transformation of Nato and Warsaw Pact into solely political arrangements and the calling of a so-called Helsinki 2 conference.

Italy believes that the 35 Helsinki countries need to put their imprimatur on the coming together of the two Germanys because of the very broad international interest in maintaining present borders.

For this reason, Rome does not accept that the "two-plus-four" formula agreed in Ottawa last week is by itself a sufficiently appropriate forum for discussing German unity.

At the same time, Italy has been anxious to speed up the EC integration process so as to provide a new political framework for a single Germany.

There is considerable irritation in Rome at Mr Kohl's refusal to advance the date, which has been set for December, of the intergovernmental conference on European monetary union, given the extraordinary pace he is setting on German monetary union.

A Tadzhik demonstrator shows his support for Soviet leader Mikhail Gorbachev during a rally in the Central Asian republic

# Tadzhikistan crowds issue new ultimatum for resignations

By Quentin Peel in Moscow

DEMONSTRATORS in Tadzhikistan have given a new ultimatum for Communist Party leaders in the Soviet republic to resign, one week after a state of emergency was declared in the riot-torn capital of Dushanbe.

The crowds, which carried portraits of Mr Mikhail Gorbachev, and placards stating "Yes to Perestroika, No to Bureaucrats," gave the local party and state officials just four days to quit, while also calling for a package of measures to tackle the republic's shortage of jobs and housing.

Rallies were reported from other towns and cities in Tadzhikistan, seeking to play down the nationalist fervour which saw mobs attack Russians and other minority groups during the disturbances last week. An unsanctioned demonstration in the town of Komsomolabad called for "a just solution to acute social and economic problems, and the improvement of the environment," according to Tass news agency.

Tass also reported, however, that self-defence groups of non-Tadzheks were being formed in Dushanbe because of fears of further violence against minorities.

The official death toll was put yesterday at 22, with another 188 people admitted to hospital with gunshot and knife wounds, including 19 soldiers and militia. Unofficial local estimates have put the death toll as high as 70.

Weekend reports of a state of emergency being introduced in the historic city of Samarkand, in neighbouring Uzbekistan, were strenuously denied yesterday, although Uzbek sources confirmed unrest from the region. They said that armed units had indeed been flown to the city, apparently to protect between 1,500 and 2,000 Armenian refugees, after leaflets calling for an anti-Armenian pogrom had been circulated.

In the Transcaucasus, tension was still high in both Azerbaijan and Armenia, while a general strike was under way in the embattled enclave of Nagorno-Karabakh, where the Armenian majority is demanding secession from Azerbaijan.

The sensitivity of ethnic relations is such that a full debate on the dispute in the Supreme Soviet in Moscow was held behind closed doors.

# Sartzetakis loses first vote for second term

By Kerin Hope in Athens

THE Greek president, Mr Christos Sartzetakis, yesterday failed to win election to a second five-year term in the first of three parliamentary voting rounds.

Mr Sartzetakis, nominated by the Left Alliance party, won backing from former Prime Minister Andreas Papandreou's Socialist Party. But the combined votes – 149 – fell short of the two-thirds majority in the 300-member House needed in the first and second ballots. The 148-seat conservative New Democracy party abstained.

The Socialists, who have accused the conservatives of showing disrespect for Greece's political institutions by not voting, are expected to back another candidate in Sunday's second ballot. Without conservative support, no candidate can win the 180 votes needed on the final ballot. The next presidential vote will be held after April 8's general election, when the new parliament can elect a head of state by simple majority. New Democracy's candidate was to be Mr Constantine Karamanlis, a former conservative prime minister, but he refused to run.

# Socialists head for E Europe

By David Buchan in Brussels

SOMETIME TOMORROW a "battle bus" full of west European socialists is due on the streets of Leipzig, in a further sign of how western political parties are stepping up their struggle to influence eastern Europe's forthcoming elections.

The bus will then follow the campaign trail south to Hungary, which votes a week after East Germany's March 18 poll. The Socialists plan a big Budapest rally early next month. Their chief rival for influence in the east is western Europe's other main political family, the Christian Democrats (CDs), who will be holding a congress in Budapest.

Skirmishing over the electoral fate of eastern Europe has already broken out in Strasbourg, where a British Tory inspired bid last week to set up a European Parliament democracy fund to aid political parties in the east was quashed by the Socialists, who argued that western parties should dig into their own pockets, rather than those of EC taxpayers.

But Mr Edward McMillan-Scott, a Tory MEP promoting the fund, promised yesterday to persist in his efforts to get Strasbourg money, arguing that recent events in Romania had underscored the need for outside efforts to promote free and fair elections in east Europe.

Mr David Blackman, deputy general secretary of the Socialist group in Strasbourg, refutes charges that his group backs communists under another label.

The CDs have, typically, been rather more catholic in their approach. According to their deputy secretary general, Mr Guy Korthoudt, they are supporting several centre-right parties in Hungary, Poland, Czechoslovakia, Yugoslavia, and one in Romania, the National Peasants party, and the Union of Christian Democrats in the Soviet Union.

# Draft Soviet law would open the way for republics to secede

By John Lloyd in Moscow

CITIZENS of each of the Soviet Union's 15 republics will be able to vote in a referendum on whether they wish to remain in the USSR, according to a law to be presented to the current session of the Supreme Soviet.

The draft law stipulates that the referendum must be discussed and approved by the Congress of Peoples Deputies. In theory, this would give representatives of the other republics a veto over each referendum decision; but in practice, it would be difficult to stop a republic with a hefty vote in favour of independence from demanding the right to leave.

Such an option is certain to be taken up by some, if not all, of the three Baltic states even though the drafters of the law believe it will concentrate minds on the economic difficulties of leaving.

The law, which is being drafted by the Supreme Soviet's Commission on Nationalities, follows President Mikhail Gorbachev's promise to initiate legislation during his visit to Lithuania in January.

Mr Georgiy Tarazevich, chairman of the commission, said in an interview that "a referendum would be the most democratic way for such a decision to be taken". The qualifying figure for a successful vote has to be defined.

However, it would "only be the first stage". If a vote went for independence, there would be a period of between two and five years during which the complex links between the republic and the rest of the Soviet Union would be unpicked.

One particular problem would be deciding who owned what property, and what compensation would be paid if Soviet state property was handed to the newly independent state, Mr Tarazevich said.

**Soviet elections**

"We would expect a lot of social problems connected with the interests of people who live on the territory of the republic but who don't want to divide their future from the rest of the Soviet Union (as the Russians in the Baltics). How do we deal with them? They also have property, and we would have to find them a place to live.

"The idea of secession is now being aired – you hear these voices in the Baltics and also in the Caucasus. But how many would take advantage of this law is hard to say."

The law on secession is one of a package of five on nationalities which will be presented to the Supreme Soviet this session. The others would:

- permit the establishment of the dominant language in the republic as a state language (second reading);
- define the criteria for citizenship of the republic (second reading);
- allow the "free development" of citizens in a republic who are not of the dominant ethnic group – for example, the Poles in Lithuania. These people will be allowed to set up self-governing communities and have their own language schools;
- define the new relationship between the centre and the republics, giving the latter substantially more autonomy than at present.

Mr Tarazevich said the state would keep control of the defence and heavy industries, electronics, energy, transport and the airways. Other enterprises and services – including the consumer industries, construction and construction materials and agriculture – would be wholly devolved to the republics.

The three Baltic states of Estonia, Latvia and Lithuania have already been granted this economic autonomy, though they still argue that all enterprises should be in their hands, and intend to declare them as such if nationalists win control of their supreme soviets at the forthcoming elections.

Mr Tarazevich, the former president of Belorussia, was asked if the Soviet Union would still be within its present boundaries in the year 2000. He paused, said the question was difficult, and added: "I'm an optimist. The geography is not so important, it is the mosaic of relations between the states which matters.

"I don't exclude the idea of federations and confederations; some links might be stronger than others. But if all these relations will be normal and satisfy material interests, then in that case the union will survive and be strong."

# Collapse of domestic market leaves Polish textiles in tatters

**Christopher Bobinski** reports from Lodz, an important centre of an industry facing closures and mass unemployment

INDUSTRY in Lodz, a leading Polish textile centre southwest of Warsaw, is facing its most serious post-war crisis following the collapse of the domestic market for its products.

The spectre of unemployment has been reawakened in a town which owed its rapid growth more than 100 years ago to trade with the Soviet market.

The Government, alarmed at the situation, is examining the possibility of speeding up this year's planned sales to the Soviet Union in order to avoid imminent factory closures.

Mr Jan Szelemech, the sales director of Textilimpex, the

and cloth for Ludwik Grohman before the First World War, Mr Jozef Grzegorczyk, managing director since 1979, turns to gallows humour to mask his anger and frustration at what is happening.

"They've managed to strangle everything, literally everything," he says, referring to the Government's International Monetary Fund-approved austerity programme which was introduced at the new year. "The only advice I'd have now for Balcerowicz [Deputy Premier Leszek Balcerowicz, who is in charge of the economy] is that he should resign."

Fifty-five per cent of the

near-monopoly found itself

part of his problems. More and more producers have been forced to send out trucks seeking customers for themselves. "The wholesaling system has also broken down," he says.

But Mr Mayer, who last week sent his 3,450 mainly women workers on holiday for five days because of mounting stocks, says that unless new markets can be found abroad or the incomes squeeze eased, plants like his, which last year had a healthy profit, will go under in a month or two.

At the moment 3,840 people are out of work in the city of 850,000, but the fear of layoffs and closures has spread to the shopfloor and managers are as workers are wary of further undermining their company's position.

At Teofilow, a relatively modern Lodz plant set up in 1972, Mr Andrzej Swiecki, marketing manager, reports few problems. He explains that investment throughout the 1980s meant that the labour force was cut by half, while output rose from 12.5m metres of cloth a year in 1982 to 19m this year. The plant also started the year without any debts, thus avoiding last month's crushing interest rates.

But Mr Swiecki admits that the plant has been running until now largely on raw mate-

**CONTROVERSY over privatisation legislation is delaying progress on an important plank of the Government's reform programme, writes Christopher Bobinski.**

**The drafts prepared by the Finance Ministry are coming under fire from inside and outside the Government and a Council of Ministers' meeting devoted to the issue has had to be postponed. The drafts foresee that state-owned companies designated for privatisation would be turned into 100 per cent state-owned joint stock companies and the shares then sold to investors at home and abroad.**

**However, the country's workers' self management lobby is firmly wedded to employee share ownership schemes has attacked the proposed legislation for failing to provide for the outright purchase of companies by their own workers. The movement will attempt to amend the legislation when it reaches parliament, where it has 12 deputies.**

**At the moment, the drafts foresee that up to 20 per cent of shares in a privatised company would be reserved for sale at preferential rates to workers employed there. Mr Krzysztof Lis, who heads the unit drawing up the legislation, argues that to allow employees to buy all the shares would discriminate against private investors.**

**Critics within the Government like Mr Jerzy Osiatynski, head of the Central Planning Office, say the drafts leave too much power in the hands of the proposed privatisation agency and that parliament should supervise the process.**

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiolettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

OVERSEAS NEWS

# Three of Lesotho's ruling council held

**By Michael Holman in Johannesburg**

THREE members of Lesotho's ruling six-man military council were arrested yesterday after troops surrounded government offices in the capital, Maseru.

Maj Gen Justin Lekhanya, head of the council, said afterwards that he would be announcing "some changes" but did not elaborate on the episode.

Two of the men detained, Col Sekhobe Letsie and Col Thaabe Letsie, are brothers related to King Moshoeshoe II of Lesotho. In theory the king holds executive power exercised in consultation with the military council but Gen Lekhanya is the country's effective ruler.

No explanation of the arrests was available last night but there was speculation that they were indirectly linked to recent developments in South Africa.

Gen Lekhanya came to power in 1986 with Pretoria's assistance, and immediately clamped down on the African National Congress (ANC) of South Africa.

The release of Mr Nelson Mandela and the unbanning of the ANC, with whom King Moshoeshoe is thought to sympathise, may have encouraged some of Lesotho's army officers to review the relationship with Pretoria and plot against Gen Lekhanya.

Under Lesotho's former Prime Minister, Chief Leabua Jonathan, the Government supported the ANC, providing sanctuary for ANC refugees, and allowing ANC guerrillas to infiltrate South Africa from Lesotho.

Relations between Pretoria and Maseru deteriorated sharply, and in January 1986 South Africa mounted a border blockade. After 12 days of mounting economic pressure the army ousted Chief Jonathan in a bloodless coup.

Lesotho, a former British protectorate, has seen only brief glimpses of democracy since independence in 1966. Under Jonathan the first post-independence general election was called off in 1970 when it appeared the opposition was about to win.

Since then the 1.6m Basotho people have had no chance to elect their leaders.

The Military Council initially promised a return to civilian rule but has clung on to power and banned all political activity in the country.

Gen Lekhanya has shared power in an uneasy partnership with King Moshoeshoe II, the Oxford-educated head of state who was reduced to a figurehead under Chief Jonathan's 19-year autocratic rule.

# Pretoria plays down attack on power plant

**By Our Africa Editor**

THE CHANGING relationship between the South African Government and the African National Congress was underlined yesterday, when both sides responded cautiously to the sabotage of an electricity substation in a Johannesburg suburb late on Sunday night.

The coloured (mixed race) township of Eldorado Park was plunged into darkness after two powerful explosions, heard for miles around, wrecked the plant.

The police said yesterday the explosions were caused by limpet mines and described the incident as a "terrorist attack," but the government response has so far been low-key, choosing not to take the opportunity to condemn the ANC, the most likely culprit. The ANC itself has made no comment.

The reactions suggest neither side wishes to raise the political temperature in advance of the forthcoming meeting between President F.W. de Klerk and the ANC.

If further such explosions took place, the Government could expect to come under increasing criticism from the extreme right. At the same time, the ANC pledge to intensify the armed struggle would no longer be dismissed as rhetoric.

# US attempts to defuse crisis in Philippines

**By Our Foreign Staff**

MR Dick Cheney, the US Defence Secretary, yesterday pledged continued aid to the Philippines in a bid to defuse diplomatic tension over the future of US military bases as police battled with hundreds of left-wing demonstrators protesting against his visit.

Riot troops used teargas to disperse hundreds of protesters outside the US Embassy in Manila and police said five of their officers were injured in scuffles.

Outside the S. Clark Air Base, 40 miles to the north, 30 people were hurt when truncheon-swinging police drove back students and workers throwing stones and trying to march on the base.

Senior Soviet and US officials were in the Philippines yesterday, each trying to dominate the debate about the future defence needs of the Asia-Pacific region.

Mr Cheney met Gen Fidel Ramos, the Philippines Defence Secretary, to discuss the funding of the US bases. Many Manila politicians have called for removal of the bases or increased American compensation.

The talks between Mr Cheney and Gen Ramos were held amid tight security inside the Philippine military's Camp Aguinaldo headquarters. The two men met in a building that still bore signs of damage caused in December's failed coup attempt. Dozens of students, carrying signs reading "Cheney welcome to anti-bases country," hanged his effigy on a tree outside the camp's main gate and burned it while Philippine soldiers watched from a distance.

Leftwing demonstrators clash with riot police duringrally outside Clark Air Force base

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, who was in Manila to speak at a seminar, said that the Soviet Union was making big cuts in its military strength in Asia. He confirmed that a number of Soviet military units had been withdrawn from the Cam Ranh Bay base in Vietnam, and added that military manoeuvres in the Pacific had been scaled back.

Mr Cheney did not agree. He said that while some cuts in US military forces in Asia were being considered, the numbers would be modest.

President Corazon Aquino had refused to meet Mr Cheney after complaining that the US Congress had shaved \$96m from a 1990 aid commitment totalling \$481m for the two main US bases in the Philippines, Clark and Subic naval base.

Mr Cheney admitted the 1990 aid level approved by Congress was lower than had been hoped. "I pledged to Secretary Ramos that we would continue to do our best to meet our overall goals and objectives," he said.

Angered by the cuts, many Manila lawmakers have urged the scrapping of exploratory talks planned for April on the future of the bases. The US lease on the facilities expires in 1991.

He denied suggestions that the succession of visits here by US officials in recent weeks was a signal of US disaffection with the Aquino government. "I would strongly disagree with that, I will strongly disagree with it," Mr Cheney said.

Security forces were on full alert in Manila and around Clark and Subic because of a threat by communist guerrillas to kill Americans during Mr Cheney's 24-hour visit.

Two American technicians were killed near Clark on the day US Vice-President Dan Quayle visited Manila last September.

# Uganda's dream begins to fade

**Julian Ozanne looks at Uganda's efforts at economic recovery**

Hiding from the blazing midday African sunshine under the shade of a mango tree, a group of teenagers, in ragged battle fatigues, listen attentively to the army political commissar as he reads from a speech by President Yoweri Museveni on the political goals of his National Resistance Movement.

Most of his students are former rebels who have recently surrendered to the army and are going through their final course of political education in a military camp surrounded by high wire fences and Kalashnikov-toting soldiers. Soon they will be allowed to go home to pick up the pieces of their shattered lives.

After nearly three years of convulsive guerilla warfare peace is slowly returning to Uganda. Most schools and clinics are closed, some razed to the ground by mortars and rocket fire, others by years of neglect.

Whole towns and villages are emptied, and thousands of people displaced, their few possessions - pots and pans, chickens, radios, bicycles - have been stolen by the rebels and government troops.

Some of the suspicions and fears behind the civil wars have faded, others remain - especially a concern among northerners and easterners that they get short shrift from a government in which they are under-represented and which appears to be dominated by President Museveni's Bayankole tribe from south-western Uganda.

With the government now in control of most of the countryside, itself a formidable achievement, President Museveni is facing one of the greatest challenges of his four-year rule: rebuilding and reconstructing the economic infrastructure destroyed by the civil wars and bringing northerners and easterners equally into political power-sharing.

An ambitious reconstruction and development plan has been prepared. But so far the plan remains on the drawing board, hampered by lack of funds and, some say, political commitment. In Kampala there is a widespread feeling that President Museveni's extended political and economic honeymoon period is over.

In October Mr Museveni extended the life of his "interim government", due to expire with elections in January 1990, by an extra five years, quashing hopes that Uganda would be returned to democratic civilian rule and raising the spectre of a slide towards dictatorship.

The President said the country was not yet ready for nationwide elections and that the government needed an extra five years to draft a constitution, turn the army into a proper national institution, consolidate peace and security and stabilise the economy.

While most members of the semi-democratic National Resistance Council supported the extension, many expressed reservations. One member, Mr Joseph Ziritwawula, resigned saying: "It may be legally acceptable, but it is morally unacceptable and fundamentally undemocratic."

Although on paper the economy grew an impressive 7.2 per cent last year, for many ordinary Ugandans the economic

Idi Amin: return of property seized by him has been slow

benefits of Mr Museveni's rule have failed to materialise or been quickly swamped by hyper-inflation and cost-cutting measures.

Significant progress has been made in restoring security, rehabilitating roads and infrastructure and liberalising the economy, but the government's reform programme, backed by the World Bank and International Monetary Fund, has run into difficulties.

The programme, supported with an SDR197m (\$260m) facility signed in April, has been knocked off track by a reluctance by the government to make regular adjustments to its over-valued exchange rate and implement reforms it has agreed.

October's devaluation of the Ugandan shilling from Ush200 to Ush340 to the dollar (the unofficial rate is over Ush600) was the first for six months. It met substantial opposition both inside the cabinet and in the NRC.

The government made another marginal devaluation to Ush370 to the dollar on the eve of an international donors conference which pledged \$640m of fresh concessional loans. But, despite this last minute concession, many donors express concern about the slow rate of economic reform.

Some of the most pressing economic issues, like privatisation of Uganda's stifling state corporations, reform of the investment code, and return of the 6,000 properties worth \$2 bn expropriated by Idi Amin have got stuck inside an underpaid and corrupt bureaucracy.

Little progress has been made with diversification of exports, particularly pressing now as a severe crisis is looming on the balance of payments position, exacerbated by tumbling prices for coffee, which accounted for 97 per cent of export earnings in 1988. The trade deficit of \$353.2m in 1988 could deteriorate by at least \$100m, making Uganda even more dependent on international aid.

Ugandan ministers blame much of the problem on the crippling weakness of the bureaucracy. More than 100 civil servants were sacked recently, including four permanent secretaries, as part of a crackdown on corruption. But stiffer and more fundamental economic measures will have to follow if the reform programme is to succeed.

Without that injection of capital for rehabilitation and more concerted efforts at nationwide political accord the progress of the last four years could be jeopardised.

# Papua New Guinea in defence of integrity

## Government is fighting against secession and for confidence, writes Chris Sherwell

EVEN IN the best of times, Papua New Guinea is a difficult country to govern. Its 3.6m people, scattered across highlands and islands and speaking 700 dialects, have sprinted from a pre-technological age to modernity in 50 years, and enjoyed independence for only 15.

These are not the best of times. Falling prices of key commodities – copra, cocoa and coffee – have placed pressure on its mostly-rural people, and an irrepressible, violent ethnic secessionist movement has shut the country's most important mine.

The Government, faced with a contracting economy and already dependent on foreign aid, is resorting to the International Monetary Fund and the World Bank for help. Foreign investor confidence is weakening. And two larger neighbours – Australia and Indonesia – are worried.

It is a catalogue of woes Mr Rabbie Namaliu, the genial, 43-year-old Prime Minister, could do without. But it is one he and his fragile coalition Government are tackling – slowly and weakly, some say, cautiously and responsibly, say others.

His most immediate problem is in the east, on Bougainville Island, where an army of militant landowners has escalated a successful campaign to shut the giant copper and gold mine operated by RTZ's Australian affiliate into a full-scale fight for secession.

The dark-skinned Bougainvilleans have long distinguished themselves from their mainland compatriots, whom they call "redskins". Before independence, they revived long-standing demands to go their own way, and arrangements for provincial government – one of 19 in the country – were supposed to allay their fears.

The mine, established in 1972, became an increasing focus of discontent, partly because of its pollution of the island's principal river, but also because its limited life meant new generations of affected landowners would see fewer benefits.

When, in November 1988, a band of maverick young landowners made impossible demands for a further 10bn kina (£6.1bn) in compensation for the mine, Mr Namaliu sought a negotiated settlement while sending police reinforcements and imposing a curfew.

But the violence escalated, and by May the mine was forced to close. A state of emergency followed, then an abortive attempt to resume operations. By December last year, the mine had to be mothballed, and last month Mr Namaliu was forced into new directions.

First he opted for a full military offensive. But in tackling ably-led, rural guerrillas with inexperienced, under-resourced troops, he has made little headway and attracted criticism. The death toll since the troubles began is now close to 100.

Renewed peace talks are one possibility: a Swedish expert in "conflict resolution" has been retained, and Papua New Guinea's first prime minister, Mr Michael Somare, is among those being mentioned as a go-between.

Letting Bougainville go its own way is another option: without its mine and plantations, but the island could not easily survive on its own.

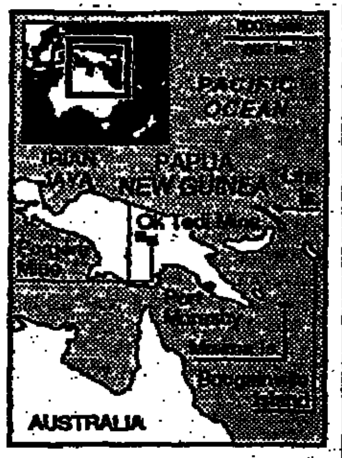
Mr Namaliu's other response has been in economic policy. The mine closure, coming on top of the plunge in commodity prices, deprived the Government of vital revenues and the country of a source of foreign exchange.

On January 9, he announced an austerity package which included a currency devaluation and a resort to assistance from the IMF, the World Bank and principal donors, in particular Australia. He expects a second year of economic contraction, and two difficult years subsequently.

This grim outlook, serious as it is, would be far worse if the Bougainville mine was still the country's only large mine. The Ok Tedi gold and copper operation near the Indonesian border is now in full operation, the Misima island gold mine began last year, and the Porgera gold mine is due to open this year.

Two more projects – a gold mine on Lihir island and a significant oil field in the Highlands – alone will cost US$2bn to develop, most of it to be raised abroad from foreign banks and investors.

A related concern for foreign governments is safety. Recently the Australian, New Zealand, British and other governments have been pre-occupied with the safe evacuation of their citizens from Bougainville, while foreign residents elsewhere in the country are growing anxious about their vulnerability to endemic mugging and robbery.




Even more vexing is the question of whether Mr Namaliu's Government, or any government in Port Moresby, can preserve the integrity of the country. The fear is that a failure to contain and quell the Bougainville insurrection will have a "demonstration effect" and lead to instability in other disaffected parts.

Mr Namaliu's advisers point to successful compensation arrangements with landowners affected by the Ok Tedi, Misima and Porgera mines, and insist that the Bougainville problem is unique. Even if the island seceded, they say, it would have little political impact on other parts of the country.

They also point out that, so far, there are no signs of disinvestment – on the contrary, interest in the country remains buoyant. But, say foreign businessmen, more than ever Papua New Guinea needs better times.

---

THE Papua New Guinea government has agreed terms of a letter of intent under which it will receive 82m kina (£50m) in assistance from the International Monetary Fund.

The agreement is for a three-year stand-by facility worth SDR26m – in return for which the economy must satisfy key performance criteria – and a compensatory financing facility to meet a loss of export revenues.

The accord, struck with IMF officials at talks in Port Moresby, must still be ratified by the IMF board. Separate talks are meanwhile continuing with the World Bank on a two-year structural adjustment facility worth $50m.

Agreement on this is said to be near, and is expected to pave the way for additional balance of payments support from Australia and other countries at an aid donors' meeting scheduled for May.

Government officials said yesterday the IMF sought no extra conditions beyond the policy actions unveiled last month. These included a 10 per cent devaluation of the kina, an 8 per cent cut in government spending, a more restrictive credit policy and wage curbs.

The measures were prompted by a sharp fall in commodity prices and the mothballing of a vast copper and gold mine on Bougainville island. The mine was the country's second largest source of foreign exchange and the largest source of government revenue.

---

# Hanoi may see thousands return from E Europe

**By Roger Matthews in Hanoi**

THE FUTURE of Vietnamese in Eastern Europe could become an even bigger headache for the Hanoi Government than the 40,000 boat people the British Government insists it will send back from Hong Kong, diplomats said in Hanoi yesterday.

Several East European countries are watching closely negotiations this week between Mr Francis Maude, Minister of State at the Foreign Office, and the Vietnam government over the forced repatriation of Vietnamese from the British colony, they said.

Maude: some "progress"

Vietnamese officials have confirmed that more than 200,000 workers are in the Soviet Union and Eastern Europe, including Czechoslovakia, East Germany and Bulgaria. The export of labour has been one of the main channels used by Vietnam for reducing its heavy indebtedness to socialist trading partners, and there are thousands more of its workers in Iraq, Algeria, Libya and Mozambique. In the wake of the political changes sweeping Eastern Europe, the first indications are reaching Hanoi that several host governments, particularly Czechoslovakia, would like soon to begin sending back their Vietnamese workers.

There are fears that some of the Vietnamese might resist repatriation, a sensitive issue for the host governments in the prevailing political atmosphere.

The Vietnamese Government, which claims to have been shocked by the international outcry over the first forcible repatriation of 51 boat people from Hong Kong on December 12, said yesterday that the talks between Mr Maude and Mr Dinh Nho Liem, the First Deputy Foreign Minister, had been held in a "constructive and co-operative spirit."

Mr Maude, who has responsibility for Hong Kong, said last night that "a little progress" had been made, and that discussions will continue today. British officials are adamant that it is not a question of whether, but when, further Vietnamese are sent back from Hong Kong.

Vietnamese officials, however, have their eyes set firmly on a thawing of relations with the US as the trigger to the start of large-scale international aid and are wary of being seen to co-operate with a British scheme so vigorously opposed by Washington.

The British hint of modest amounts of aid if Vietnam accepts its "international obligations" - that is, by taking back the boat people - may not be seen in Hong Kong as a sufficient inducement.

Vietnamese officials have also been stressing that, with an estimated 7m of their 35m workforce either without jobs or under-employed, the prospects are bleak for anyone being forced to return home. This is in addition to the more than 1m young people whom they say are entering the job market for the first time each year.

**John Elliott adds from Hong Kong:** The first Vietnamese boat person to commit suicide in a Hong Kong detention centre died on Sunday night, two days after he hanged himself by his belt and four days after his appeal against repatriation to Vietnam had been rejected by an appeals body.

He was Mr Nguyen Van Hai, aged 28, who was being kept in Whitehead detention centre, one of Hong Kong's biggest high security centres.

Mr Nguyen left a note which said he was killing himself as a protest against what he regarded as the unfairness of the colony's screening policy.

# Seoul current account surplus falls sharply

**By John Ridding in Seoul**

SOUTH KOREA's current account surplus, which in recent years has been one of the largest in the world, last year fell by 65 per cent to $5.1bn.

The fall reflected a marked deterioration in export growth resulting from the impact of rapid wage increases over the past two years, currency appreciation and disruption caused by industrial disputes. A further fall is predicted for the current year, with analysts' estimates averaging between $2bn and $3bn.

The figures, published yesterday by the Bank of Korea, South Korea's central bank, show that most of the decline came from narrowing trade surpluses with the US and EC. South Korea's trade surplus with the US fell by 45 per cent to $4.73bn and with the EC by 57 per cent to $900m. However, the trade deficit with Japan rose by $60m to $3.99bn.

The greater balance in international trade is in line with government policy and has contributed towards lower trade tensions, particularly with the US, South Korea's largest trading partner.

The overall trade surplus in 1989 declined by 61 per cent to $4.51bn from the $11.45bn recorded in 1988. Imports climbed by almost 18 per cent to $56.77bn and exports grew by only 2.7 per cent to $61.28bn.

## NEWS IN BRIEF

### Palestinians fear wave of Soviet immigrants

PALESTINIAN strikers closed shops, factories, offices and schools throughout the West Bank and Gaza Strip yesterday in protest at what they fear will be a massive settlement of Soviet Jewish immigrants in the occupied territories, reports Eric Silva from Jerusalem.

The Arabs say hundreds of immigrants have been lured to West Bank settlements by cheap subsidised housing and they argue that they will prove the vanguard of hundreds of thousands as the exodus gathers force. Israel expects 100,000 arrivals a year for at least three years. The United Nations Human Rights Commission last week called on it not to settle newcomers across the old "green line" border.

Israeli officials respond that fewer than 1 per cent of Soviet Jews choose to live in the occupied territories.

### Taiwan MPs on rampage

Rampaging opposition members smashed windows, overturned furniture and scuffled with police yesterday as Taiwan's National Assembly began its plenary session leading up to presidential elections in March, Peter Wickenden reports from Taipei.

Democratic Progressive Party members failed to agree with the ruling Kuomintang on the chairmanship and voting procedure of the congress. In protest they occupied the rostrum and blew whistles to prevent KMT members from being sworn in. More than 30 police entered the hall and dragged three DPP members away.

As President Lee Teng Hui began to speak the remaining DPP members protested and later one ran amok and vandalised a bus.

### Amnesty appeals to Morocco

Amnesty International, the London based human rights organisation in a report published today is appealing to King Hassan of Morocco to end a wide range of human rights violations, reports Frances Ghiles.

Amnesty is concerned by reports of deaths and alleged "disappearances" in custody of political suspects, unfair trials and long-term detention of prisoners of conscience.

### Factories in Algeria reopen

Seven thousand private factories reopened in western Algeria, last weekend after their owners had closed them for one week, reports Francis Ghiles. They were protesting at a severe shortage of raw materials.

WORLD TRADE NEWS

# US and S Korea reach accords in telecom trade row

By **John Ridding** in Seoul

SOUTH KOREA and the US have agreed on several issues in their current dispute over telecommunications trade, reducing the prospect of punitive sanctions against South Korea.

A Seoul official said yesterday that talks in Washington at the end of last week had made substantial progress. Seoul has agreed to allow US companies access to its data base and data servicing markets and to supply communications equipment to the South Korean Government and the state-run Korea Telecommunications Authority (KTA).

The US agreed that talks on the full opening of Korea's communications services markets be transferred to Gatt's Uruguay Round. The US has previously insisted that the opening of Korean telecommunications markets be resolved through bilateral negotiation.

The US is to decide by the end of this week whether to impose sanctions against South Korea because of the telecommunications dispute or to extend talks for another year. But Seoul officials said they now felt sure punitive sanctions would be avoided.

Under the accords, US companies will have access to Korea's data base and data processing markets from July. Thus, they will be able to lease a communication network line and form a data base to supply information services to subscribers.

Complete opening of the Korean telecommunications services market excluding telegraph and telephone services, which the US wants, is still to be agreed. If Gatt talks fail to resolve the issue, bilateral negotiations will resume.

Seoul also agreed that equipment certified by designated foreign manufacturers can enter the Korean market freely from July. Currently, all communications equipment entering South Korea has to be tested by either KTA or Radio Research Laboratories. The change is expected to allow US companies to enter the market for radio and satellite communications equipment.

Seoul also said foreign companies can share in open bidding for KTA telecommunications supply contracts from 1993. From next year, bidding will be allowed for KTA equipment unrelated to communications networks.

# Nato members to reaffirm open market on defence

By **David White**, Defence Correspondent

NATO'S European members will this week reaffirm their commitment to a more open market in defence equipment and back a programme of joint arms research. The initiatives are seen by defence ministries in the main European Nato countries as ways to use increasingly scarce funds more efficiently. But differences exist on priorities.

Defence ministers from the 13 countries of the Independent European Programme Group (IEPG), meeting today and tomorrow at Gleneagles, Scotland, will review progress on a British plan to let defence contractors bid directly for business in other countries in the group. This plan, launched 15 months ago, has fallen behind schedule.

UK officials hope that at least half the members will soon be distributing "contract bulletins" to publicise bidding opportunities, as the first step towards an open market. Under an "Action Plan" approved in late 1987, all IEPG members should have started publishing these bulletins last year, emulating Britain and France.

The Netherlands, Italy and Norway have recently launched similar publications and West Germany and some other members are expected to indicate they will comply shortly. The plan provides for reciprocity in arms trade, but has worried some southern European countries over vulnerability of their defence industries. Turkey has said it will adhere to the plan, but Spain, Portugal and Greece are expected to move more slowly.

France prefers to stress the research programme, dubbed Euclid (European Co-operative Long-Term Initiative for Defence), approved in Estoril, Portugal, last June – the fruit of six years' efforts to forge a more coherent defence research approach.

This week's meeting is likely to back priority projects, with different countries allocated "pilot" roles. This will include German-led research in airborne radar, French-led programmes in silicon microelectronics and artificial intelligence, and UK-led work on electro-magnetic guns.

# China's mill stake boosts its Canadian interests

THE CHINA International Trust and Investment Corp (Citic) is widening its Canadian interests by taking a one-third stake in an Alberta sawmill project, with planned export markets to include Taiwan, Bernard Simon reports from Toronto.

Citic's partners in the C$40m (£33m) project include Mercurius Pacific Holdings, a Swedish-owned subsidiary, and Winstyle Resources, a Chinese-owned holding company. Private Canadian investors are also involved. The partners have formed a new company called CMW Forest Products which has bought control of a sawmill at Edson, Alberta. The mill needs technology and capital to take advantage of an Alberta government timber quota.

CMW Forest plans to boost output of basic timber products, to be exported to the US, Europe, Japan and Taiwan. Citic's other Canadian interests include a share in a British Columbia pulp mill and a gold and silver mine in the Yukon.

● China's purchase of a US aircraft-parts manufacturer, blocked by President Bush on national security grounds, was legal and did not threaten the US, Peking said yesterday, Agencies report from Peking.

The New China News Agency said the US was responsible for any economic losses from voiding the purchase of Mamco Manufacturing of Seattle by the China National Aero-Technology Import and Export Corporation (Catic). Catic's acquisition was solely commercial, with the whole procedure in full compliance with federal and local laws, the company said.

# Albania half-opens the door to foreign investment

ALBANIA is to allow foreign investment for the first time in a decade, but Europe's most backward economy will not open up as widely as elsewhere in eastern Europe, Reuter reports from Tirana.

The state will keep capital in its own hands and no foreign ownership will be allowed, Mr Fatos Nanos, a member of the government's Institute for Economic Studies, said. "We can develop all kinds of joint economic activities except classical credit arrangements. We are not yet open to classic joint ventures."

Mr Nanos was commenting on measures recently promulgated to reform an economy stagnant after 40 years of Stalinist central planning. On joint ventures, Mr Nanos said foreign technology investment would be welcome, "while we invest our labour and materials, and we will share the profit and risks. We can repay foreign investors through the product".

Pilot projects such as in clothing and shoes could be set up, but "we will not share ownership. This must remain Albanian". Diplomats said West German companies were already involved in projects allowing co-production and barter trade.

Mr Nanos said Albania had low labour costs (about £38 a month). "We have mineral resources, such as chrome, which Europe currently has to obtain from more distant places." Commodities analysts say Albania produced 900,000 tonnes of chrome ore annually in recent years, most of it for export – making it the world's biggest chrome exporter after South Africa.

Japanese and West German companies have shown interest in buying the ore, but Western businessmen say Albania's mining and processing technologies need heavily modernising.

Mr Nanos said that Albania's farmlands remained relatively unpolluted and "we could provide 'green crops' popular in Europe," if foreign companies were interested in co-operating in such production.

Much of Albania's trade is by barter, 45 per cent of it with the Soviet-led Comecon bloc, and about 25 per cent with the EC.

# Brazil sees Gatt proposals as threat to sovereignty

## Uruguay Round 'new areas' are viewed as placing internal policies on the table, writes **Ivo Dawnay**

AS IF four-digit inflation and a $115bn foreign debt were not enough, trade has now emerged as the newest monster to disturb the sleep of Brazil's beleaguered economic planners.

Diplomats hammering out the details of the country's stance in the Uruguay Round negotiations under the General Agreement on Tariffs and Trade (Gatt) have seen the country's surplus slipping away.

In 1988, Brazil's exports outstripped imports by a record $19bn as business switched its attention from a stagnating domestic outlook to hard currency markets abroad. But last year, the surplus fell to $16bn and forecasts for the current year are as low as $10bn.

In this context, the efforts of the industrialised world to expand the parameters of the Gatt to services, intellectual property and foreign investment regulations are seen as another, potentially devastating blow.

Brazilian negotiators are convinced that the proposals represent an assault on the right of nations to chart their own development strategies.

With financial and economic planning already overseen by the International Monetary Fund and the World Bank, the "new Gatt areas" threaten to tighten further the developed world's grip on its poor relations to the South, they fear.

"This round is much more ambitious and complex – it is an attempt to create a new international trade organisation," said Mr Samuel Pinheiro Guimaraes, head of the economic department at the foreign ministry, the Itamarati. "Before, we covered exclusively the trade in goods. Now you have the internal policies of countries under negotiation."

Seen from Brussels or Washington the picture is different. Brazil's $380bn gross domestic product is evidence of a powerful commercial rival – in 1988 the world's third-largest exporter after Japan and West Germany. Nor, they argue, can a country with consistently growing farm exports and the capability to dominate such high-technology sectors as commuter aircraft, really justify playing the Third World card as hard as it frequently does.

They point to Brazil's insistence on free access to developed world markets as it maintains high tariffs – reduced, it must be said, in the last two years from an average of 51 per cent to 37.5 per cent – as well as an 1,000-item list of prohibited imports.

But if the Latin American giant can be accused of a measure of hypocrisy, it has also proved flexible.

Brazil battled against trade in services being included in the talks at the opening of the round in Punta del Este, Uruguay in 1986. But, in the end, it agreed to accept "parallel track" discussions rather than sink the talks.

GATT

Pragmatism can also be seen in the debate on farm trade. While the US has been pressing for a total elimination of subsidies over a given period against the EC's proposed gradual and limited reduction in an indeterminate time scale, Brazil now looks set to urge its colleagues in the Cairns group of mainly agricultural countries to steer a middle path, if only to avoid being caught as third party victims of the subsidy wars between the US and Europe.

This would mean a compromise accepting the US idea of "tariffication" – the calculation of subsidies as a tariff equivalent – alongside the EC's proposal to merely reduce, not eliminate, these over a period that could exceed 10 years.

Defending its own interests, however, the Brazilians are also determined to maintain "special and deferential" status – that is exemptions – for developing countries.

On the general issue of tariffs, the country favours a formula approach of across-the-board reductions as opposed to the US's complex bilateral "request and offer" scheme. But again it is set to insist on flexibility for developing countries, almost certainly involving longer lead times for tariff cuts.

On the related issue of whether such new tariff levels should be binding, the Brazilians say they will now accept the principle on selectively negotiated products. But, they appear to undermine that by insisting on the right to raise tariffs again under certain circumstances.

But it is on the crucial invisible sectors – services, investment regulations and intellectual property – that the Itamarati negotiators look set to be most stubborn.

Brazil argues strongly that discussions must centre on the trade effects of barriers in these fields and not the barriers themselves. Even then, the debate must be firmly embedded in the context of development needs, acknowledging that countries may use trade restraints to protect and nurture infant industries.

Trade-related investment measures – export performance requirements, for example – are an essential development tool and a sovereign matter, they claim.

However, it is the incorporation of intellectual property provisions in Gatt that most alarms Brazil. It fears new rules will allow transnational corporations to use restrictive business practices to limit the country's technological development.

"There is a certain irony about taking the patent system into a trade liberalisation pact when it is really a means of maintaining a monopoly," Mr Guimaraes says. "Multinationals do not want to produce in every market." Not least, Brazilians fear that alleged breaches of a Gatt patents code could be used to justify retaliation against goods. Instead, they would prefer a detailed disputes settlement mechanism for the sector.

Nevertheless, it appears that the Itamarati is prepared to give some ground. Three points appear non-negotiable, however. Brazil would require a right for nations to exempt some sectors, deemed to be of national security, from the regime.

Furthermore, the Itamarati rejects US attempts to limit the amount of disclosure required to register patents. Last, and most important, it is seeking to introduce a "non-voluntary" licensing provision that would oblige patent holders to produce or license their products for production in a host country.

Above all, Brazil's key requirement in the Gatt round is that existing rules allowing exemptions from regulations in case of balance of payments difficulties be maintained – a let-out that would act as a blanket insurance policy for the developing world.

Mr Fernando Collor de Mello, due to take office as President on March 15, has publicly argued that he will use a trade liberalisation policy to force domestic business to improve its international competitiveness.

But the civil service establishment, which has a long tradition of protectionist sentiment, may prove a formidable obstacle. "There is little for us to gain in this round and a lot to lose," says one negotiator.

## AMERICAN NEWS

# Argentina whittles away at public spending

By Gary Mead in Buenos Aires

ARGENTINA'S Economy Minister, Mr Erman Antonio Gonzalez, has announced new measures to attack Argentina's public spending excesses. At the same time, he repeated a promise that the Peronist Government would not deviate from its commitment to liberalise the heavily-regulated economy.

Mr Gonzalez's announcement on Sunday evening followed a weekend of talks by President Carlos Menem's cabinet. Argentina is in the grip of hyper-inflation running at 80 per cent a month, and the Government's foreign currency reserves are believed to be approximately $500m. Low reserves plus persistent failure to balance the state's accounts mean that the Government is resorting to printing billions of australs to cover wage and other bills in the state sector.

The measures amount to little more than a promise to cut central government spending in areas where the Administration hopes political repercussions will be minimal.

Among the new undertakings are: no further Treasury subsidies for provincial governments' deficits; balancing of the national social security budget; efforts to make provincial governments pay their multi-billion-dollar debts to state-run companies; cuts in the number of central government bureaucrats; preparation of a bill to send to Congress to eliminate the "privilege pensions" (awarded to state officials for serving even brief periods in different offices); and a promise that state-run companies will no longer receive Treasury support (with the exception of the railways).

On prices, wages and exchange rates, Mr Gonzalez said the Government would continue with its practice of non-interference in the market. Duties on many basic food and medical items will be reduced to 10 per cent or in some cases entirely removed for six months. As from April, exporters will be entitled to a full refund of value added tax, currently levied at 13 per cent.

As part of the announcement Mr Gonzalez said President Carlos Menem would take a pay cut of 20 per cent, from a monthly 3.16m australs ($790) to 2.52m australs ($632). A bill will be sent to Congress to limit public sector salaries to that level; other sectors of the economy will be exhorted to follow the same practice.

The general reaction was that the measures were unlikely to restore confidence in the Government's economic policies. Cutting support for badly run provincial governments and nationalised companies (which annually lose $5.5bn) has been promised by both this government and its predecessor but vested political and financial interests have frustrated the promises.

# Moscow 'relaxed on status of Germanys'

By Peter Riddell, US Editor, in Washington

THE US believes the Soviet Union will come round to accepting that a united Germany should be a member of the Nato alliance with US forces remaining in Europe.

After intensive discussions earlier this month with Soviet leaders, east European foreign ministers and Nato allies, US officials believe they have achieved not only a mechanism for discussing the external security aspects of reunification but also the outlines of a possible agreement.

Consequently, the US tends to play down the public statements by Soviet leaders about a neutral Germany and against its membership of Nato.

Mr James Baker, the US Secretary of State, said at the weekend that this issue would be discussed within the "two-plus-four" mechanism (the two Germanys plus the US, the Soviet Union, Britain and France). He added, "I'm not sure they really strongly feel that way [against membership], because the Nato alliance is the raison d'être for the presence of American forces in Europe. And they see the stability that is afforded by the continued presence of US forces in Europe."

One of Mr Baker's close advisers who attended his Moscow meetings contrasted the public intransigence with the private reasonableness, especially at the highest levels.

There are unresolved questions – about the future of the Bundeswehr, or West German army, the size of foreign forces on German soil and the stationing of nuclear weapons.

All this would be fitted in with what Mr Baker has described as "some sort of security guarantees or assurances looking eastward that give the east European nations and the Soviet Union some consolation with respect to a unified Germany as a member of Nato".

The US view is that a broad consensus has been achieved on the mechanism with talks initially between the two Germanys, then the "two-plus-four" framework, and finally the summit of the 35-nation Conference on Security and Cooperation in Europe later this year. There is agreement that such a meeting should not be held until a conventional forces treaty has been signed, but there is still ambiguity about how far the CSCE nations should offer guarantees about German borders and security matters. This is being pressed by the Soviet Union.

However, US officials concede the concern of several European countries – notably Poland – about being squeezed out by the "two-plus-four" mechanism. So any conclusions are likely to be put not only to a meeting of Nato and Warsaw Pact ministers in Budapest in mid-May (ostensibly to finalise the Open Skies treaty) but also to the CSCE summit.

# Democracy on show in Nicaragua

By Tim Coone in Managua

NICARAGUA'S hotels are bursting at the seams. Not even bribes will uncover an empty hotel room or an unbooked hirecar. Has there been a tourist boom?

No; it is just an election. Next Sunday 1.75m Nicaraguans go to the polls. Over 1,000 foreign journalists and an estimated 2,000 official observers have flooded into the country in the past week to report on what is arguably one of the most intensely scrutinised elections on the Latin American continent.

The majority of the 4,394 polling stations will be visited by a foreign observer or journalist on polling day. Many will also be present during the vote count, including a mission led by Mr Jimmy Carter, former US President, the Organisation of American States, the United Nations, the Boston-based Center for Democracy, the European Parliament and the British Government.

At stake is war or peace. With internationally verified elections, the ruling Sandinistas hope to put an end to the country's eight-year war. Persuaded by a pardon, political reforms and an open electoral process guaranteed by the presence of so many observers, many US-backed Contra leaders have already abandoned the military struggle to overthrow the left-wing Sandinista (FSLN) Government and are participating in the elections.

Violeta Chamorro doffs her hat to the voters

Voters will cast their votes for a new president, vice president and 90 members of the National Assembly and for the first time in decades will also elect 140 local municipal councils. Also novel is the election on Nicaragua's Atlantic coast of two 45-member autonomous councils in place of municipal councils.

The most reliable opinion polls have shown the FSLN to be leading Mrs Violeta Barrios de Chamorro's United National Opposition, the main opposition alliance, by as many as eight percentage points. Parties are allowed to receive funding from abroad and the US Government has sent almost $2m directly to UNO.

There are eight other small parties ranging from traditional conservatives on the right of the FSLN, through to the Maoist MAP-ML and the Trotskyist Workers' Revolutionary Party (PRT) challenging from the left.

The presidency will be won by a simple majority vote. For the 90-seat National Assembly, a regional proportional representation system is being used. The country is divided into nine regions for which the 10 parties or alliances each present a slate of candidates for deputies.

The number of deputies elected depends on the population of each region – in the capital Managua 25 deputies will be elected. The three regions of the sparsely populated Atlantic coast will have five deputies elected. The small parties will have the best chance of picking up seats in the capital.

The UNO's strongest regions are thought to be the southern Pacific coast (Region 4) and the cattle-ranching provinces of Boaco and Chontales (Region 5). Losing presidential candidates who win at least one per cent of the total vote are also entitled to an extra seat in the National Assembly. Potentially, therefore, there could be as many as 99 deputies in the assembly, creating problems for the FSLN in holding on to its existing majority.

# Canadians braced for the worst of all worlds

## A tough budget is expected, writes Bernard Simon

A STEW of monetary, fiscal and political problems has given Mr Michael Wilson, Canada's Finance Minister, a daunting task in preparing the budget which he will table in the House of Commons in Ottawa today.

The budget comes at a difficult time if Mr Wilson is to stick to his pledge of steadily reducing the budget deficit. Unexpectedly high interest rates are greatly increasing the Government's debt-servicing burden. A slowing economy is eating into tax revenues and will increase demand for government services.

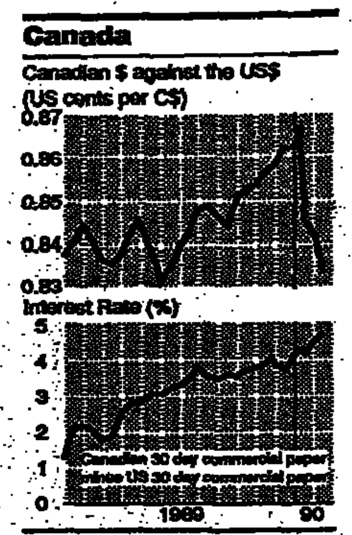
While Mr Wilson has no wish to push the economy into a tailspin, the measures he announces today also need to reassure financial markets that Ottawa is serious about shifting more of the burden of its economic policies from monetary to fiscal policy. The federal government's deficit, equal to about 3 per cent of gross domestic product is – except for Italy – the highest among the Group of Seven industrial countries.

Scepticism about the management of the economy is reflected in recent heavy selling pressure on the Canadian dollar, which has forced the Government to abandon its effort of last month to bring down domestic interest rates.

The dollar has lost more than three US cents since it peaked at 86.5 cents in late December. Meanwhile, interest rates last week reached their highest level in almost eight years when banks raised their prime lending rate by three-quarters of a percentage point to 14.25 per cent. The gap between Canadian and US interest rates, about five percentage points, has never been wider. Nor has other economic news been encouraging. Consumer prices accelerated to an annualised rise of 5.5 per cent in January, the highest since February 1984. Statistics Canada revealed last Friday that the 1989 trade surplus of C$4.7bn – which included a deficit in December – was the lowest in 10 years.

The budget also holds political risks for the Progressive Conservative Government.

**Canada**




Unpopular measures, including sweeping cuts in passenger rail services and the planned introduction next January of a 7 per cent goods and services tax, have sent the Conservatives reeling in public opinion polls. The latest Gallup Poll gives the Tories 22 per cent of decided voters' support.

Even with the next general election two or three years away, spending cuts could do severe damage to the Government. Mrs Judith Maxwell, chairman of the Economic Council of Canada, notes that "Canadians still think that governments are there to solve problems for them, and that the way governments solve problems is to spend money."

Mr Wilson's problem is compounded by the fact that the limited belt-tightening in Ottawa over the past five years has trimmed much of the fat from government spending. If he plans to cut spending substantially, he will almost certainly need to bite into politically sensitive programmes.

Mr Wilson set himself a target in last April's budget of slicing the deficit from C$30.5bn in the year to March 31 1990, to C$28bn for 1990-91 and C$15bn by 1993-94.

Stubbornly high interest rates and the continuing growth in the public debt have made the achievement of those targets much more difficult. Since becoming Finance Minister in 1984, Mr Wilson has consistently under-estimated the level of domestic interest rates, and therefore the Government's debt-servicing outlays.

Interest payments rose by 50 per cent in the four years to 1989, to the point where about 31 cents of every dollar in government revenues is now spent on debt servicing. Each percentage-point increase in interest costs adds an estimated C$3bn to government spending.

Cabinet ministers have been warning Canadians to expect a tough budget. Mr Wilson cautioned last week that "the only way to get the deficit down is to spread the burden of controlling that deficit as broadly as possible".

The backlash over the proposed goods and services tax has sent a warning to the Government that Canadians may be getting restive over their high tax rates. Mr Wilson is thus expected to rely more heavily on spending cuts than increased revenues to achieve whatever deficit reduction goals he has in mind. Among the candidates likely to come under his axe are defence, a number of tax expenditures, and business subsidies.

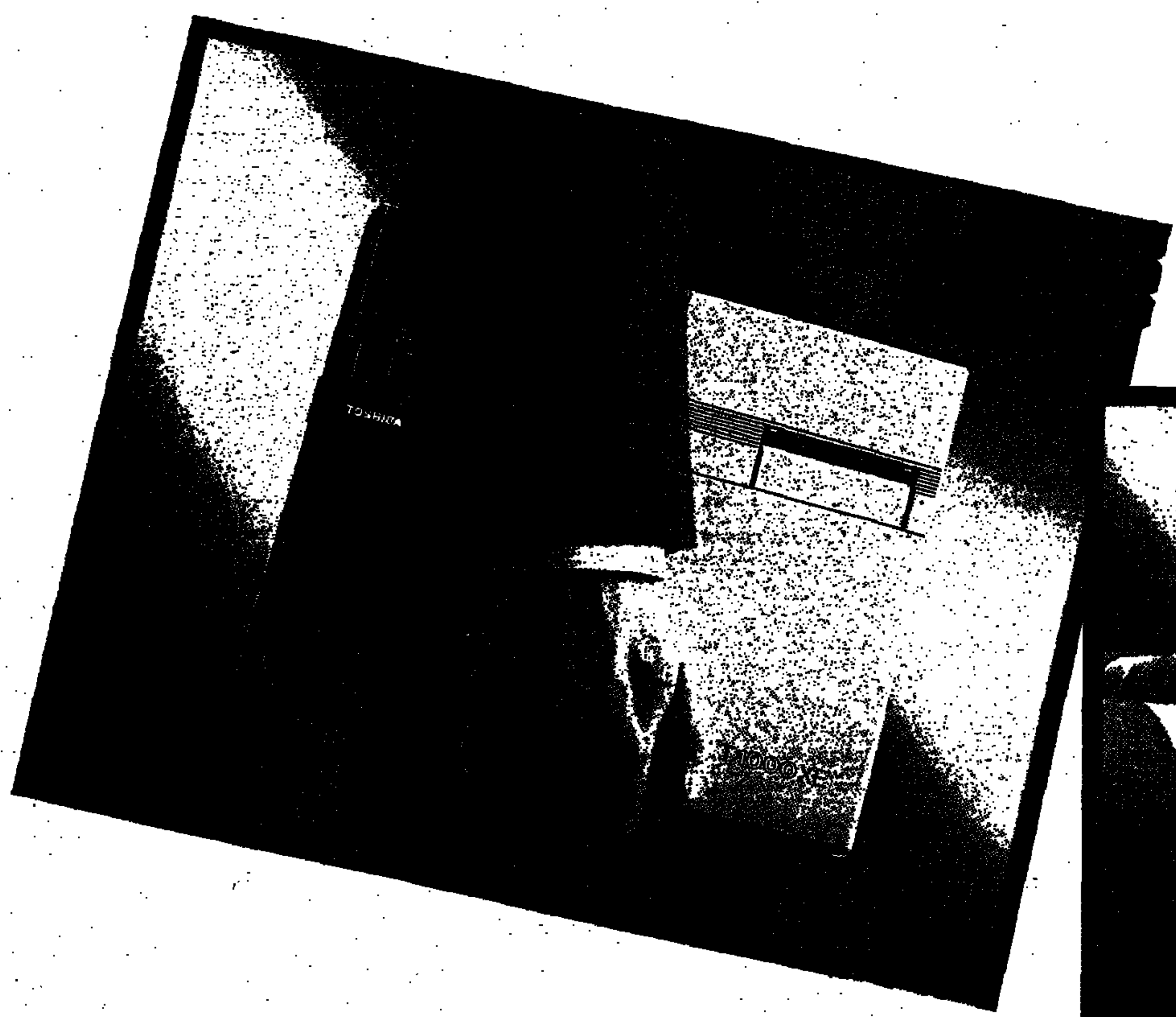
A main target is expected to be transfer payments to the 10 provinces. These payments, which make up about a quarter of federal spending, help to finance health services, post-secondary education and welfare and ensure that all the provinces offer similar standards of public service at roughly comparable tax rates.

Mr Michael McCracken, president of Informetrica, an Ottawa economic consultancy, estimates that, in contrast to the bulging federal deficit, provincial and municipal budgets are in aggregate roughly in balance.

There is widespread concern, however, that a lower rate of growth in federal transfers will simply encourage the provinces to lift their own tax rates, and to shift some of the burden on to municipalities.

Canadians may thus be wise to steel themselves for the worst of all worlds – cuts in federal spending, higher provincial income taxes and steep rises in municipal property rates, at a time when the economy is weakening.

# Easy to carry or easy to use?

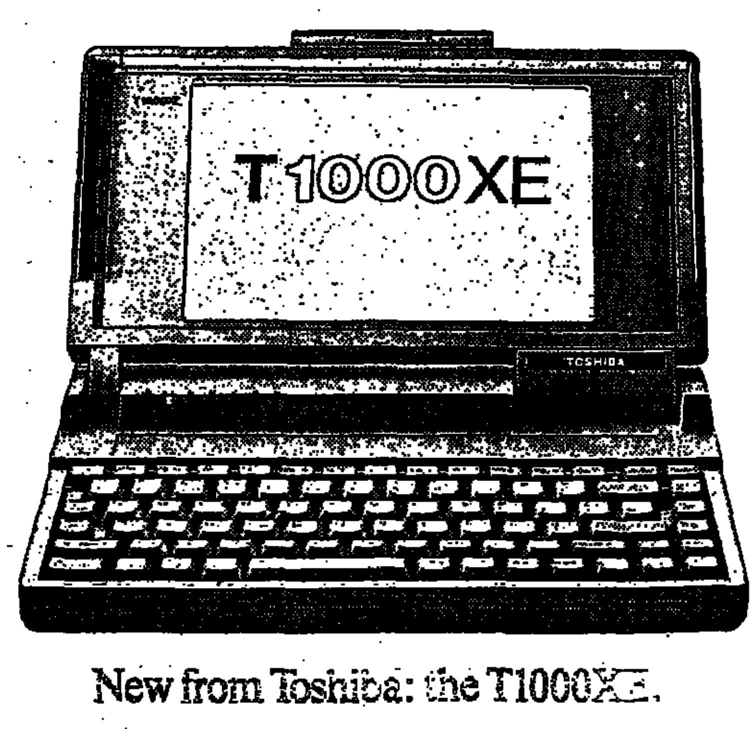


## The winner takes it all.

With the new Toshiba T1000XE, you're a winner. It's one of the world's smallest industry-standard portable computers. Yet when it comes to user-friendliness and functionality, the new battery powered T1000XE is decidedly "larger" than others in its class.

To see what we mean, try out its ergonomic keyboard or take a look at its excellent screen. Thanks to its 20 MB hard disk, you can have all your programs and important data without carrying around numerous diskettes. Its link-up capability can put all modern remote communications services at your fingertips. Slim, stylish design and numerous practical functions tell you why Toshiba is the market leader for portable computers. So don't compromise! Send us this coupon today.

Toshiba Europa (I.E.) GmbH, Hammer Landstrasse 115, D-4040 Neuss 1.




New from Toshiba: the T1000XE.

Please send me detailed information about the new T1000XE and the Toshiba laptop family.

Name/position: ______

Company/branch: ______

Address: ______

Telephone: ______ FT/PAN

In Touch with Tomorrow

**TOSHIBA**

**AMERICAN NEWS**

# Reluctant Brazil tries to tame its rampant gold rush

**John Barham** examines the plight of the Yanomami Indians whose lives are threatened in the Amazon

THE confrontation between Brazil's rapacious gold prospectors and the Amazon Indians is taking yet another fateful turn, as an unwilling Brazilian Government is being forced to take on the prospectors and save the Yanomami tribe from possible extinction.

The prospectors produce nearly all Brazil's gold, but have brought death and destruction to once isolated Indian communities throughout Amazonia. Powerful sectors of the Government support the prospectors, even though they have become virtually a law unto themselves, controlling vast tracts of the Amazon.

Outgoing President Jose Sarney has so far avoided challenging the prospectors. But in January, after months of prodding from the courts, he ordered the eviction of thousands of prospectors from the jungles of Roraima, in the northern Amazon. The courts will decide later whether the entire region should be designated a reservation for the *5,000 to 7,000 Yanomami.*

Roraima is one of Amazonia's most beautiful regions. The monotonous jungle is frequently broken by stark peaks and coiled rivers. Occasionally, perfectly circular Yanomami communal huts and the odd prospector's landing strip can be seen.

Roraima has become the stage for a trial of strength between the rich and well-organised prospectors, the Government and increasingly *influential environmental pressure groups.*

All sides are locked in stalemate. After tense negotiations, the prospectors agreed to withdraw. In return, the Government set aside 100,000 hectares of forest as a "Prospector Reservation" outside the disputed *territory. Prospecting will be* allowed, but only under government supervision.

Although reports from Roraima are imprecise and contradictory, the prospectors seem to be complying with the agreement. But they still appear intent on returning to mining sites deep in the Yanomami's ancestral lands as soon as the police leave and media attention wanes.

Mr Jose Altino Machado, a leading prospector, warned: "Nobody and nothing can control a gold rush." Many compare gold to a drug and the prospectors to addicts. The *ruthlessly determined* prospectors undergo extraordinary privations in the search for gold. Now they are surprised at being crossed by a government that had allowed them to prosper through benign neglect.

Deepening economic crisis coincided with the discovery a decade ago of rich gold veins in the Amazon. Peasants and slum dwellers vanished into the forest in the hope of discovering massive wealth. Meanwhile, demand for gold increased *spectacularly as* inflation accelerated.

Most prospectors find little more than token quantities of gold. Those that have struck it rich, flaunt their wealth with thick gold chains and dazzling rows of gold teeth. They have made Brazil the world's fifth largest gold producer. Preliminary estimates put their 1989 production at more than 80 tonnes of gold. They also produce most of Brazil's gems and *60 per cent of its tin.*

The prospectors' union says over 1m men are working Amazon claims. Nearly all are slum-dwellers or landless peasants, victims of economic dislocation. They disappear into the Amazon, where they are a threat to no one but a gentle, uncomprehending people.

The Yanomami are succumbing to a plague of malaria, dysentery and tuberculosis brought by the prospectors. The intruders have scared off game, fouled the rivers and disrupted the Indians' agricultural cycles, causing malnutrition. The prospectors insist that they are not to blame. Anthropologists and doctors disagree, also accuse prospectors of murdering Indians who oppose their presence.

Yanomami Indians occupied the Chamber of Deputies in September in protest for indigenous rights

Yet the Yanomami are fascinated by the prospectors' shiny, noisy equipment. At one camp, Yanomami youths begged the prospectors to start up the generator and switch on the lights. They *gazed* radiantly at the light while others doodled intensely with borrowed *ball point* pens.

The prospectors have become a threat to government authority. They migrate across the Amazon in lawless, violent bands.

The military, which has retained considerable power under the weak Sarney government, once forcibly ejected prospectors from *forbidden* areas. *But* the prospectors have grown too numerous to be defeated by military *operations.*

Final *settlement* of the conflict in Roraima will be left to president-elect Fernando Collor de Mello, who takes office in March. But the impact of the twentieth century on the Yanomami is surely irreversible.

Mr Sydney Possuelo, a respected former official of the *Government's* National Indian Foundation, said in a voice choking with emotion: "It is true genocide. We are playing *a terrible role that will become* a stain, a shame on us, that future generations will never forgive."

# Nicaraguan vote on autonomy to decide the fate of Indians

**By Chris Taylor and Tim Coone in Managua**

OVERSHADOWED by the presidential election race next weekend, another election is taking place in Nicaragua which is of vital importance to the future of the country's *120,000 indigenous Indians.*

The issue is autonomy on the eastern part of the country known as "the coast". Nicaragua's Atlantic coast covers almost half the country. Its largely untapped natural resources include some of the last virgin tropical forest in Central America.

There is a mountain with an estimated reserve of 400 million tons of iron ore; fisheries and precious metal mineral *deposits add to the region's* potential wealth.

The total population of "the Coast" though is only 250,000, including the 120,000 indigenous Indians, less than 7 per cent of the country's population. The question of who is to control those resources is the key issue of the autonomy elections.

In 1981 the region exploded into armed conflict, when the heavy-handed attempts by the left-wing Sandinistas to bring their revolution to the coast aroused an historic conflict.

The Spanish mestizos of the Pacific coast were once again seen to be imposing their culture and government on the Indian communities. Fishing in muddy waters, the US government of Ronald Reagan found an ideal issue around which to foment armed opposition to the Sandinistas. Separatist demands followed.

*Fearful of territorial* secession, the Sandinistas moved quickly and harshly. Entire Miskito Indian communities were forcibly uprooted along the Rio Coco, the border with Honduras, and moved to new settlements and lands deeper within the country under the control of the army.

The "Tasbah Pri" settlements as they were known became hotbeds of resentment to the Government. 30,000 Indians *fled to Honduras many of* them to return armed.

At the end of 1984 though the Government realised it was fighting a losing battle. The autonomy plan was born. Commander William Ramirez, the Sandinista governor of the region said at the time "it is the most viable alternative to resolve the conflicts afflicting *the people of* the coast."

Negotiations began with the various Indian guerrilla groups. Talks were held in the communities, which fleshed out the autonomy proposals. Ceasefire agreements were arranged.

The army withdrew from many areas leaving the guerrillas to police their own communities. Armed by the Government they turned against the US-backed guerrillas fighting *elsewhere* in the country. Uprooted families were allowed to return to their old settlements.

As a result, the exiled Indians began *returning.* According to the UN High Commission for Refugees (UNHCR) the majority of the 30,000 exiles have today returned to Nicaragua.

Next Sunday, two 45-member autonomous councils, will be elected at the same time as the elections for the presidency and for five coast representatives in the 96-seat National Assembly.

One council will have its seat in the northern port of Puerto Cabezas, in an area dominated by Miskito Indians. The other will have its seat in the southern town of Bluefields in an area where the population is predominantly black and English-speaking.

These elections will be a major test of whether the local communities have forgiven the Sandinistas. The main opposition on the coast to the FSLN is an organisation, Yatama.

Yatama's *leaders,* Brooklyn Rivera and *Steadman Fagoth,* headed the armed resistance to the Sandinistas and still have their own armed groups.

Mr Jose Mendieta, a regional FSLN party official, believes that the immediate post-election period will be crucial. "I *hope that the non-FSLN people* elected will be mature enough to help rebuild the region and not listen to those who want to revive the war."

## UK NEWS

**In Brief**

# Strike sets BR on line for loss

British Rail may make an operating loss this year for the first time since 1985 because of the cost of last year's rail strikes, and a fall in revenue caused by the downturn in customer spending.

A loss would also damage the Government's strategy of progressively reducing BR's subsidy while relying on the corporation to generate money for investment through operating profits and asset sales.

### By-election threat

Mr John Browne, the Tory MP for Winchester, was found guilty by a parliamentary committee of failing to declare all his business interests threatening the Government with an unwanted by-election.

### Charity's £1m debts

A charity, The New Directions Foundations Ltd, specialising in adventure holidays for inner city children which ran a widely publicised goodwill trip to Eastern Europe went into liquidation with an estimated total deficiency of £1.01m and only £2,550 available for preferential creditors.

### Bank independence call

The Government should grant the Bank of England independence as part of a short-term strategy for achieving zero inflation, says the Social Democratic Party in a budget submission.

### Tokyo backs colleges

The first Japanese sponsor for the controversial City Technology College programme was announced yesterday, when Kumagai Gumi, the construction company, donated £100,000 to the Dartford CTC - which will lay on courses in Japanese and Japanese business practices. It will also fund a teacher and pupil exchange programme to Kumagai Gumi's Tokyo headquarters.

### Telecoms survey

The UK has the most expensive local phone calls but the cheapest international calls and almost the cheapest long distance calls of nine leading industrialised nations, according to a survey by National Utility Services, a London-based consultancy.

GUINNESS TRIAL

# 'Illegal' £3m fee paid via Swiss bank, court told

**By Raymond Hughes, Law Courts Correspondent**

MR OLIVIER Roux, the key prosecution witness in the Guinness affair, yesterday alleged that Mr Ernest Saunders, the company's former boss, had personally approved the payment of an allegedly unlawful £5m "success fee" to Mr Gerald Ronson, head of the Heron group.

The former Guinness director of finance spoke in public for the first time at Southwark Crown Court yesterday about the events that led to four leading City figures being charged with criminal offences arising from the 1986 takeover battle for the Distillers drinks group.

Mr Roux, whom the jury has been told was in "a unique position" to say what went on during the takeover, said that Mr Saunders, then Guinness's chairman and chief executive, had told him that Mr Ronson had agreed to help Guinness in its battle with Argyll by buying Guinness shares.

Mr Saunders had been "happy" with an arrangement under which Mr Ronson would be indemnified against loss when he sold the shares, and be paid a success fee, Mr Roux alleged.

Mr Saunders, Mr Ronson, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier, have pleaded not guilty to criminal charges arising from an allegedly unlawful share support operation mounted by Guinness.

Mr Roux was the first witness in the trial, which entered its second week yesterday.

During his evidence Mr John Chadwick, QC, prosecuting, read to the court a letter written in July, 1987, by the Crown Prosecution Service to Mr Roux's solicitors.

The letter stated that it was not intended to bring criminal charges against Mr Roux over the Guinness affair.

The intention, the letter stated, was that "Mr Roux should be invited to make a witness statement, the purpose of which would be to provide the basis for any evidence that he might be asked to give in the prosecution of criminal proceedings against any other person..."

Mr Chadwick asked Mr Roux: Were you aware of that letter?

Mr Roux: Yes.

Mr Chadwick: Did you understand its contents ?

Mr Roux: My solicitor explained it to me.

Earlier Mr Chadwick had told the jury of an allegedly unlawful payment made by Guinness to Mr Tom Ward, a US lawyer and at the time a Guinness non-executive director.

Mr Chadwick said the money had been paid through a Jersey company, Marketing & Acquisition Consultants.

He said that £3m of the £5.2m had found its way temporarily into Mr Saunders' personal Swiss bank account at Union Bank of Switzerland.

There could be no doubt, Mr Chadwick said, that Mr Saunders knew that MAC was a company used by Mr Ward to receive payments in a personal capacity.

Mr Chadwick said that Mr Ward had told Mr Roux that he would be sending an invoice to Guinness from MAC for £5.2m to pay consultants he had employed during the bid and that the payment had been approved by Mr Saunders.

"The invoice was in effect the cover for an illegal pay-off to Mr Ward for his activities during the bid and had nothing to do with any money due to consultants," Mr Chadwick alleged.

Mr Chadwick also alleged that soon after Department of Trade and Industry inspectors were appointed to investigate the Distillers takeover Mr Saunders destroyed, or told his secretaries to destroy, important documents, including his diaries and address book.

Mr Saunders had denied to the inspectors that he had ordered any documents to be destroyed, Mr Chadwick said.

The trial continues today.

# Academics carry torch for Manchester Olympics

**By Ian Hamilton Fazey, Northern Correspondent**

SUCCESS for Manchester in its bid to host the 1996 Olympic Games would generate £2bn of investment and up to 50,000 jobs, boost the balance of payments by £500,000 and increase government tax receipts by up to £160m, according to an independent study.

The report on the potential economic impact of the games was commissioned by the committee organising the campaign and written by Sir Douglas Hague of Templeton College, Oxford, and Dr Trefor Jones of the University of Manchester Institute of Science and Technology.

It says that direct investment in stadia and the Olympic village would cost between £360m and £420m, while £325m-£375m would be needed to run the games.

It estimates that visitors will spend £235m-£375m and associated investment outside the main facilities worth another £80m-£100m.

The report says this would bring to the region extra demand totalling about £1.3bn, and the knock-on effect should increase that total to £2bn.

The amount of work created would be up to 33,000 man-years or 50,000 jobs when the knock-on effect in the rest of the economy through spending by visitors was taken into consideration.

This would be worth up to £500m in wages and £150m-£180m in profits to companies, leading to increased tax revenues of £130m-£160m.

The committee says the games would be financed entirely by the private sector.

Manchester is competing with Athens, Atlanta, Belgrade, Melbourne and Toronto.

# The Bank plays peacemaker for the tunnel

**By David Lascelles, Banking Editor**

THE Bank of England's readiness to involve itself in Eurotunnel's problems is an example of the way it occasionally sallies into the realms of industry. But this case was hardly typical – and it may not be one which the Bank relishes.

In the past, the Bank has occasionally made its good offices available to put together financial rescues for troubled companies.

Laker, Stone Platt, Weir Group, Richardson Wallington, Dunlop, Rolls-Royce – all these companies were the subject of Bank of England industrial rescues at one time or another – but only with mixed results. Some, like Laker, failed anyway, others like Dunlop were taken over, and only a small number, such as Weir Group, recovered to become successful new enterprises.

Arguably, though, the Bank managed to preserve some companies which would otherwise have disappeared into oblivion or foreign ownership. Both divisions of Rolls-Royce, for example, the car and jet engine making sides, still survive. Eurotunnel, however, is a different case.

The Bank has taken a close interest in the cross-Channel project right from the start, principally because of its national importance. In the early stages in the mid-1980s the Bank put pressure on banks to support the scheme, then in the autumn of 1986 it extended that pressure to investment institutions in order to ensure the successful completion of Equity 2, the second stage of the initial fund-raising programme.

A few months later the Bank also played a direct role in resolving Eurotunnel's management crisis by persuading Mr Alastair Morton to become joint chairman. Mr Morton had previously been invited by the Bank to perform a trouble-shooting role at Guinness Peat.

It is not clear who took the initiative for last week's talks at the Bank, chaired by Mr Robin Leigh-Pemberton, the Governor. The Bank says that as a matter of policy it does not thrust itself into difficult situations: it only offers its good offices where it thinks it can play a useful role. The version from Eurotunnel is that the Bank took the initiative.

But unlike other industrial cases, this was not a matter of pulling together a financial rescue, but of bringing warring parties to the same table.

This appears to have strengthened the tunnels's chances of success. But the Bank's previous deep involvement with Eurotunnel meant it was acting less like a referee than as an interested party.

A central bank which takes too close a role in industrial matters risks putting itself in a morally hazardous situation where it can no longer remain impartial.

And there may be some unease in the Bank about the depth of its involvement with Eurotunnel.

It was being stressed yesterday that this was a "one-off case" which did not fit the usual pattern of its industrial involvement. The Bank is likely to feel much more comfortable about dealing with traditional company rescues. And it looks as if activity on that front will be picking up too, judging by the growing financial deficit of the UK corporate sector, and the strains being placed on leveraged buy-outs by high interest rates.

# Green issues force cutback in UK's £13bn road programme

**By John Hunt, Environment Correspondent**

THE £13bn road building programme proposed by the Department of Transport for the next decade is being scaled down Mr Cecil Parkinson, the Transport Secretary, indicated yesterday.

The decision represents a victory for Mr Chris Patten, the Environment Secretary, who has argued that a programme of this size would offset the environmental improvements he wants to introduce in his policy paper in September.

Mr Parkinson announced yesterday that he has brought in his own environmental adviser, Professor Brian Hoskins, head of Meteorology at Reading University. He will advise on global warming and the threat carbon dioxide from car exhausts poses to the atmosphere.

The full £13bn roads programme was based on Department of Transport forecasts of an increase in road traffic of up to 142 per cent by the year 2025. Environmentalists were sceptical of the forecast and claimed the programme would increase the danger of global warming.

Mr Parkinson said yesterday that it would simply not be economic to implement a programme of that size. "There is a limit to what the country can afford," he said. It was not intended to attempt to meet the "outer forecasts" of such a large increase in traffic.

"We are trying to produce a sensible programme that reduces congestion and reduces pollution," he said.

In fact the environmental impact is a central reason for the retreat from the original programme, "Roads for Prosperity", which was published last May by his predecessor, Mr Paul Channon. It envisaged the widening of more than a quarter of Britain's 1,870 mile motorway network.

Mr Parkinson's remarks represent a marked change of emphasis and an attempt to give his department a "greener" image. In the Government committee considering the environmental policy paper he has argued for the road programme and for the motorists' right to drive on uncongested roads. He said that he did not want to move in the direction of a carbon tax designed to reduce the use of petrol.

# Wider competition for industrial gas market

**By David Thomas, Resources Editor**

COMPETITITION in the industrial gas market took two further steps forward yesterday, when British Gas signed its first agreement to transport gas for a third party and Enterprise Oil took a 25 per cent stake in a new pipeline project.

British Gas has signed an agreement allowing Quadrant Gas to transport gas through its pipelines. Quadrant is a company formed jointly last October by Esso and Shell to take advantage of steps taken last year to break down British Gas's monopoly of the supply of gas to industrial and commercial customers.

The agreement will allow Quadrant to pay a distance-related price to transport its gas from the St Fergus terminal in Aberdeenshire along British Gas pipelines to industrial customers.

Separately, Enterprise Oil, Britain's largest independent oil company, has taken a 25 per cent stake in a £155m project to construct a gas pipeline for power stations in Kent and Essex.

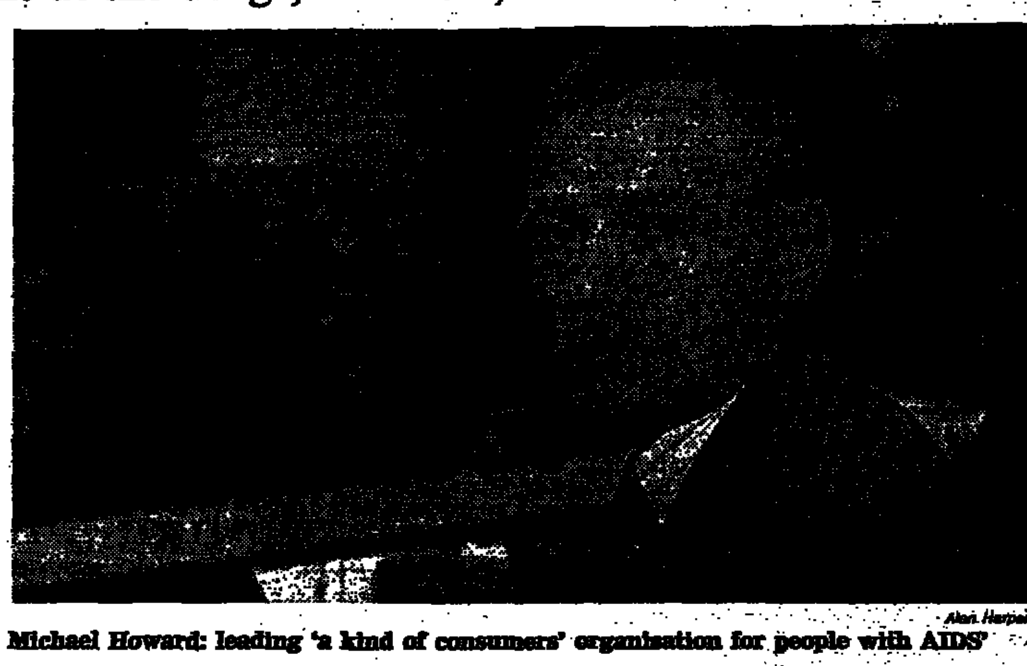
Enterprise's partner is Gas Transmission UK, a company which started up to direct the project. Gas Transmission said it hoped the pipeline would be the first of a network.

● British Gas will today launch a £15m venture capital fund to back small, primarily British, companies engaged in new technologies and products related to oil and gas production and distribution. The new fund, known as BG Ventures, will be managed by venture fund management specialists Electra Innvotec.

## UK NEWS

# The company in search of a silver bullet to stem the spread of AIDS

**Peter Marsh** looks at the drugs, the users, and the future



Alan Harper

**Michael Howard: leading 'a kind of consumers' organisation for people with AIDS'**

FRONTLINERS is a company which has trouble keeping its directors. That is not because they are dissatisfied but because they die.

Frontliners is a support group for people with AIDS, registered as a limited company and as a charity. It is run *by a committee of directors* chosen, under the rules of the organisation, from people who suffer from the disease.

*Mr Michael Howard, aged 38,* is a former industrial designer who is chair (co-ordinator) of Frontliners. He was told three *years ago that he had AIDS.*

He is among about 3,000 people in Britain and more than 200,000 worldwide, who have been *registered as having* the illness. Of the 200,000 – thought to be an underestimate by a factor of three – *half have died, many within a* few years of diagnosis.

Up to 10m people globally are thought to carry the human immunodeficiency virus (HIV) which causes AIDS. *Most of these are likely* to progress to the full-blown disease, normally after a gestation period of up to 10 years.

So far, AIDS has affected mainly homosexuals and drug abusers in Britain. In other countries, however, significant numbers of heterosexuals have the disease and there are indications that this could happen in the UK in the coming years.

Frontliners aims to channel advice to AIDS sufferers on forms of treatment and other kinds of help. It is, says Mr Howard, "a kind of Consumers' *Organisation for people with* AIDS." It has a budget of £500,000 a year, mostly provided by government and private donations.

Mr Howard and the other 750 or so members of Frontliners are at the sharp end of the debate both about the effect of AIDS and the manoeuvrings in the world pharmaceutical industry to find a cure. So far, just one drug – Retrovir, also called AZT, and made by the UK pharmaceutical company Wellcome – is available to treat AIDS. It often has unpleasant side-effects and does not cure the disease, but *merely hampers its* progress.

Frontliners is based in cramped offices in London and is launching an appeal for *£250,000 to help buy a larger* headquarters.

Mr Howard admits that the death rate among directors and other members can sometimes make it a gloomy place to work. Only one of the four people who set up Frontliners in 1986 as an offshoot of the Terrence Higgins Trust – an older-established charity for AIDS sufferers – still survives.

Much of Frontliners' work involves discussion of Retrovir, which is highly profitable and in less than three years has become Wellcome's second big*gest product, with sales in 1989* of £134m. Wellcome has become a glamour stock, with its shares rising rapidly.

*Mr Howard was on Retrovir* for nearly two years but his doctors have stopped the treatment because the medicine's toxic effects build up over time. Mr Howard's main hope now is DDI, also called Videx, made by Bristol-Myers Squibb, of the US. It is in the late stage of clinical trials. DDI is reckoned to be the most advanced of several products under study for treating AIDS. These medicines could become serious rivals to Retrovir in the *next few years, assuming* they are accorded product licences.

Mr Howard says he hopes soon *to enrol on trials* with DDI. "*I don't expect DDI to be* a silver bullet [to cure the disease] but I hope it will arrest some of the problems I have until the silver bullet arrives."

This feeling of hope is shared by Mr Gerry McGrath, another AIDS sufferer and a voluntary worker at Frontliners.

Mr McGrath, 29, worked as a hospital administrator before the effects of AIDS forced him to give up last year. He has resisted taking Retrovir up to now, mainly because of its psychological effect.

Mr John Mordaunt, 31, *another Frontliners volunteer,* has been on Retrovir for 12 months. He is tired for much of the time and there are signs of muscle wastage, indicating that the disease is worsening.

Mr Mordaunt has his doubts about the drive by Wellcome to make Retrovir available to people who have the HIV virus but who have not progressed to full-blown AIDS. A US trial last year showed the product could delay the onset of the disease in some cases. Wellcome hopes to receive permission from governments to sell the product in this application soon, which could greatly boost sales.

*Mr Mordaunt says he has* been disappointed with some aspects of the drug industry's approach *to* AIDS. He says collaboration rather than competition between pharmaceutical companies might be more *helpful* to finding a cure.

He also says he finds distressing the treatment of the AIDS issue in some quarters "where discussion of the disease is based mainly on following changes in the different companies' share prices."

Both Mr Mordaunt and Mr McGrath say their overriding hope is that scientists will soon come up with a range of anti-AIDS formulations. These would include drugs like Retro*vir and* DDI *that attack* AIDS directly, together with other medicines coming on to the market *that treat specific ailments such as forms of pneu*monia associated with AIDS.

All these products could then be used either individually or in combination to treat AIDS patients. The reliance on just one drug, many AIDS groups say, gives doctors too few options.

Mr McGrath believes people with AIDS must also fight the disease mentally. "A positive attitude is very important," he says.

"I know I am going to die *some day but I am not sure it* is going to be from AIDS."

# Consumer safeguards set by water company

By Anthony Moreton, Welsh Correspondent

*WELSH WATER* has become the first of the water companies to meet the requirements of last year's privatisation Act and introduce customer guarantees.

Mr John Elfed Jones, chairman, said in Cardiff yesterday the company had "taken the legal requirements and enlarged on them.

"Furthermore, we have taken the advice of the Plain English Society to ensure the guarantees, which will be sent to every customer with their bills, can be easily understood. There will be no need to consult a lawyer to know what our *obligations* are."

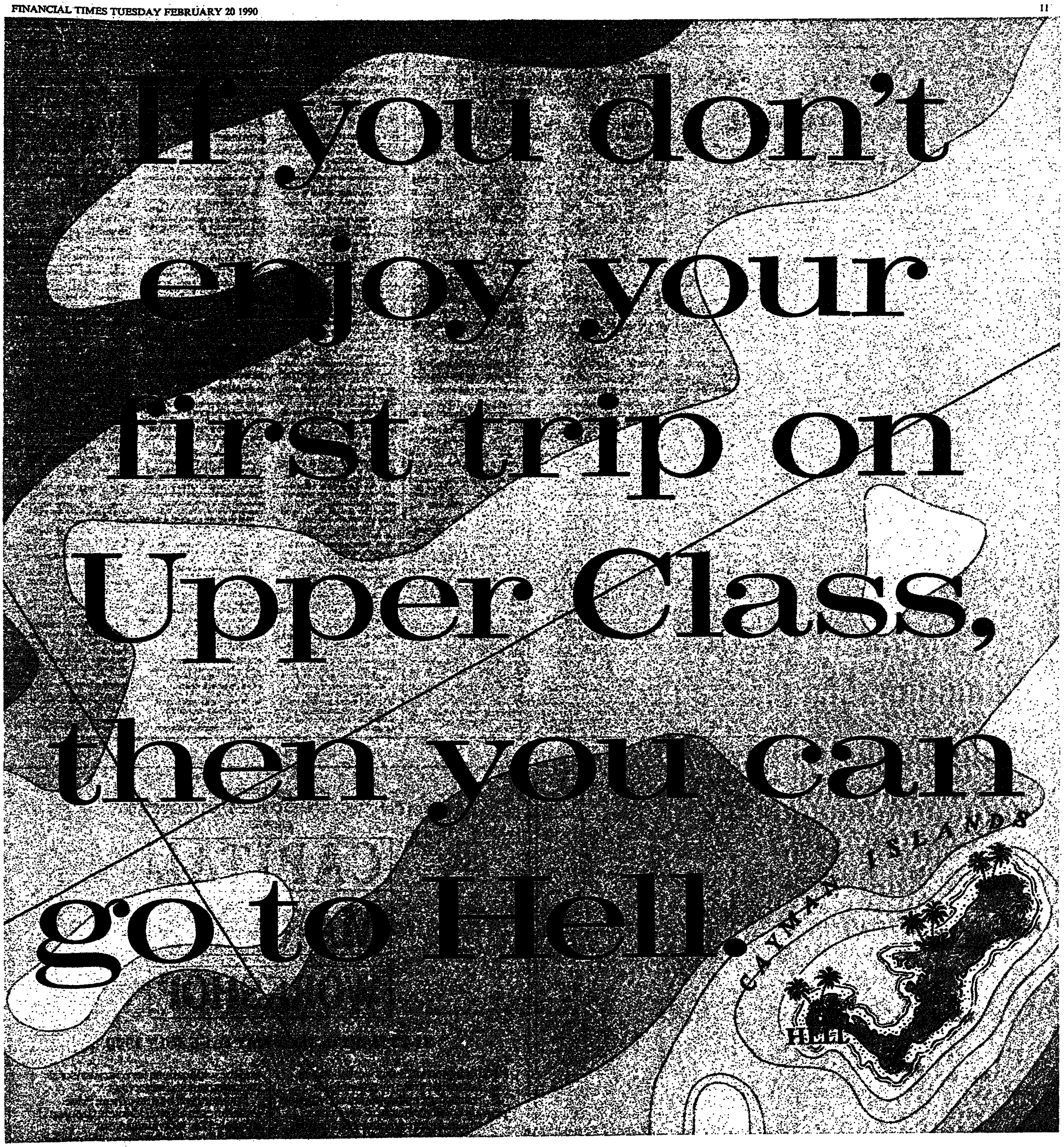
The requirement for guarantees was written into the privatisation Act to assuage criti*cism that shareholders would* come first in the new companies' strategies. All the other water companies will be bring*ing in their own schemes* over the next few months.

As part of its code of practice Welsh Water, which has over 1m customers, will pay the customer £5 if it falls down on a number of guarantees. These include not keeping an appointment on a specified day, not giving within 20 days a "substantative" reply to a letter querying an account, not explaining in writing within 10 working days why a requested change in the method of payment cannot be accepted.

The company will also reimburse the customer if it does *not restore* supplies by the time stated beforehand or not restore supplies *following* emergency working within 24 hours, or 72 hours if a strategic main is involved.

● The average poll tax in Wales is likely to be £220, more than the initial government estimates of £173.

The Labour dominated Council of Welsh Districts warned there is no hope of the government figure being attainable. Mr Gwynfryn Davies, council chairman, said "the government has substantially under-provided for inflation, statutory charges and *other demands on council services.*"




Heavens, that's a bit harsh isn't it?

Don't worry, even if you do end up burning in Hell, it will only be by lying in the sun getting a tan.

Because Hell is an interesting little spot on the Cayman Islands in the Caribbean.

It is where we will send you and a friend, if your first trip on Virgin Atlantic's award-winning Upper Class service doesn't surpass your usual airline's business class.

In fact Richard Branson will speak to you personally so that you can air your views.

However, we think you'll be more than satisfied, most people are. Our Upper Class service enjoys a higher degree of loyalty than any other long haul business class.

After all, no other airline sends a complimentary chauffeur driven car to escort you to and from the airport, whether you live in Lands End or John O'Groats.

The Virgin Atlantic Challenge 2

No other airline gives you an on-board bar and lounge, a free Economy Standby ticket and a First Class sleeper seat that offers 15" more legroom than any other business class.

Certainly no other airline gives you your own personalised video walkman complete with an extensive library of films.

So once you've flown Virgin Atlantic, no other airline will do. In fact they can all go to the devil.

This offer is open to first time Upper Class flyers purchasing a return ticket on any Virgin Atlantic route before 30th April.

For more information concerning the challenge or to make reservations call 0293 551616, or see your travel agent.

**The Businessperson's favourite airline.** Virgin atlantic

LONDON · NEW YORK JFK AND NEWARK · MIAMI · LOS ANGELES · MOSCOW · TOKYO

TECHNOLOGY

# Bar codes' debut at the home of the Bard

The Royal Shakespeare Company's Box Tree restaurant, in Stratford-Upon-Avon, has its own interpretation of the expression "fast food".

It is employing bar codes – typically found on supermarket products – to ensure that diners make it to the theatre on time.

When the waiters and waitresses take orders in the 150-seater restaurant, they no longer have to write them down. Instead they use a hand-held unit, smaller than a cigarette packet, to read the bar codes printed next to each item on the menu.

They then "fire" the hand-held unit at a computer processor, which automatically transmits the information to the appropriate sections – the drinks orders to the bar, the food orders to the kitchen and so on – where it is printed out.

The computer also prepares the bill, which further speeds up the process so that theatregoers have time to munch through a three-course meal before curtain up.

The RSC is treading boards already trod by several fast food restaurants, cafeterias and bars in introducing the bar-code reading system, says Keith Hoyes, managing director of Abacus Computer Technology, which designed the RSC system.

Another venue where the system might prove attractive is the pub, where bar codes can help members of staff who have difficulty adding up the cost of a round.

The hand-held unit reads the bar code next to the appropriate drink and so adds up the prices of, say, a Scotch, a double gin and a pint of lager. The running total is displayed on the unit and so can be shown to any suspicious customer. The information is then sent to the electronic till.

Other potential applications which provide food for thought involve trains or airliners, where orders for food, duty free goods or gifts could be taken from the seated customers without pushing an unwieldy trolley up and down.

**Della Bradshaw**

# The big screen peers into a new world

## Bob Swain discovers that computer graphics have come of age in feature films

Special effects have come a long way since the clattering flying saucepan lids of the 1950s B movies. But until fairly recently the techniques had not really changed as much as you might think.

Remarkable computer graphics sequences have became commonplace in the past decade, whether it be on the television screen or somewhere more exotic such as a flight simulator. But, with a few exceptions, feature film producers have tended to stick to developing more tried and trusted methods.

Models have certainly become more sophisticated, while better compositing techniques have enabled a perfect match with the live action. But it has taken a long time for the rapid advances in computer graphics technology to find a Hollywood niche.

It is true that computers have long been used to control both the models and the motion-control camera rigs used to film them. A new age of sophistication appeared to dawn in 1977 with Star Wars, but those effects were still achieved by a combination of the model-makers' craft and skilful camera work.

One early film did attempt to break the mould – The Last Starfighter, released in 1984. This space epic used computer animation (created on a Cray XMP supercomputer) in place of conventional models. But the project took the computer graphics company, Digital Productions, towards financial ruin and the film was far from being a box office success.

So something of a milestone was reached in Monte Carlo this month, at the European computer graphics festival called Imagina, when the George Lucas special effects company, Industrial Light and Magic, was awarded the supreme prize. Whereas previous winners have largely come from research backgrounds, it was refreshing to see ILM triumph with excerpts from the recent films Willow, Indiana Jones and the Last Crusade, and The Abyss.

The effects created at ILM cover a wide range. It was their synthetic lighting, shadows and matting that took the cartoon figure of Roger Rabbit and turned it into a character that inhabited "the real world".

Weird distortions of live action also present no problems. Computer in-betweening (filling in the images between two key frames) is used in one scene from Willow to transform a character from tortoise to tiger to human in a single shot. Similar techniques were used to age the character Donovan by 400 years while on-screen in Indiana Jones and the Last Crusade.

But it was with the making of The Abyss, a Twentieth Century Fox release, that computer graphics really came into their own. A host of special effects are employed in this underwater adventure – including a great deal of conventional model work.

It is the use of computer graphics, however, that sets it apart. Just imagine the horror of any special effects supervisor when faced with a screenplay that demands the presence of a creature made entirely of sea water. Even worse is the requirement that it must be able to copy the facial characteristic of those it meets.

George Joblove, ILM's computer graphics supervisor, says this was a job that could not be tackled by any other method.

As with all good special effects, the production process began with meticulous rehearsals and planning. Precise measurements had to be made of the set in order to model the "pseudopod" and the actors had to know exactly where it would be at any given time.

A scene from The Abyss, a prize winner for special effects

The three stages of any 3D computer animation are modelling, animation and surface rendering.

The modelling in this case was a relatively straightforward process, carried out on ILM's workstations using a combination of various proprietary and commercial software packages.

On screen, a wire-frame version of the model was animated to give the director an initial indication of movement. A "quick-render" version was then produced, with a solid surface and at low resolution, making it easier to see the motion. Only when this had been approved could the process move on to the next stage.

Because the creature was supposedly made of water, its surface was programmed with a continuous rippling effect. A semi-transparent rendering was added and variations in colour were made on the computer and assessed by eye.

But much of the character of water comes from the light and the reflections that it carries. So the computer was programmed to measure the precise angle of every surface in every frame. It then integrated "reflections" from a series of still photographs taken of the set where the action was to take place.

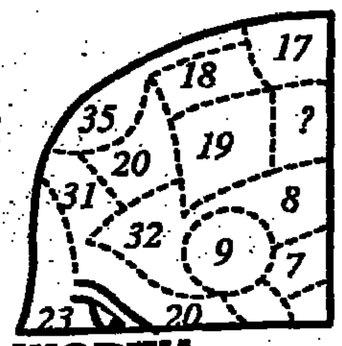
In order to make the scene in which the pseudopod imitates the features of the characters, the faces of the actors were scanned and the data fed into the computer. This was used for modelling and animation of the scene, with the surface rendering automatically following the programme providing the water effect.

When all of the final animated images were produced (about 4¼ minutes in all), the system automatically generated mattes for each frame. These are used in optical printing to assemble the special effects with the live action.

The final results were stunning, taking the viewer into a fantasy world by making the impossible appear to be perfectly natural.

Joblove says: "The important thing is that we are now integrating different techniques. It is one more technique to add to all the others that we already have at our disposal.

"Computer graphics are not just a novelty in feature films any more. They provide new possibilities for directors and that is what special effects are all about."




# WORTH WATCHING

Edited by Della Bradshaw

## A maker of many things

THE TERM "flexible manufacturing" is being given new meaning by a European collaborative project. Its aim is to make a machine which can simultaneously assemble items as diverse as an electric kettle and a telephone on one production line.

The designers estimate that the machine can put together about 80 per cent of all mass-produced items. It may enable companies to expand their product range without buying new machinery.

The computer-controlled machine, called Infact, is being developed under the umbrella of the EC's Eureka Famos project, with nine European manufacturers and universities participating under the leadership of Parallel Research, of Bristol. They include Alcatel-ELIN, of France, HS Electronica Progetti, of Italy, and Britax, of the UK. Infact is expected to be commercially available within a year.

Its flexibility comes from the Transputer chips, which process information in parallel. Each assembly procedure is put on to a separate computer disk. Theoretically the machine could be loaded with several disks and then told to produce one of each item.

## The humanoid face of service

THE personal robot is no longer just a character in science fiction films.

In the US, a 4ft tall humanoid, which bears an uncanny resemblance to the R2D2 character in Star Wars, is on sale for $12,500 (£7,400.)

Its inventors, the aptly named Droid Systems, of New York, say Genesis I can do everything from light housework to stocking shelves in a supermarket.

Genesis has a white, robust, plastic body and an IBM personal computer for a brain. Five auxiliary computers control its movements.

The robot can follow instructions issued from a keyboard or respond to verbal commands. Once given a tour of the house, it remembers the routes and guides itself using this knowledge and sensors built into its "head".

Genesis operates for six hours between battery charges. When the battery runs low, it automatically perambulates to the charger and plugs itself in.

The only apparent disadvantage is that – like the Daleks in the Dr Who television series – it has not learnt how to master the stairs.

## A concrete answer

CRUMBLING buildings, bridges and sewers could be condemned to history with the introduction of a ceramic concrete which is impermeable to water.

The material, developed by Concrete Hitach, is consistently hard throughout, making it twice as strong as traditional concrete.

Previous attempts at creating impermeability involved putting a ceramic coat on a conventional concrete base.

The new technique involves adding catalysts to the base of phosphorous, magnesium and potassium, and the consequent chemical reaction produces hardness and impermeability.

Ceramic concrete is expected to cost 25 per cent more to produce than its traditional counterpart.

## Mini-unit for satellite TV

ONE OF the problems with subscribing to satellite television is that you need to install a dish on the outside of your house and a box of tricks on top of your TV.

To do away with the latter encumberance, a Cheshire company, Zeta Services, has developed a miniature unit which does the same job as the set-top box but is small enough to fit into a video recorder or television set.

The unit, which can be used with satellite programmes transmitted in Pal, utilises the power supply and modulator already in the video recorder.

Zeta Services believes the unit will be built into new equipment or added to existing sets by, say, rental companies eager to prolong the life of their older televisions.

## DIY kit for CD programs

INTERACTIVE compact disks can hold masses of graphics and data, but companies wanting to use them have generally had to buy off-the-shelf programs, which are inflexible and expensive, writes Jeffrey Davy.

Now a London software company, CRL, has developed a way of enabling computer users to write programs that have interactive facilities and high quality graphics, on floppy or hard disks. As well as cutting the cost, companies or educational institutions will be able to make as many copies as they like.

It is claimed that the Developer's Universal Non-programming Environment (Dune) can be used by people who are barely computer literate. Costing £150, it is aimed at three different markets and computers: an IBM Compatible PC version for business users; an Acorn Archimedes version for education; and a Commodore Amiga version for the home or leisure market.

## FBI spreads its tentacles

IT IS enough to make J. Edgar Hoover turn in his grave: America's Federal Bureau of Investigation (FBI) has become networked.

But it is the technology, not the network of agents, that is spreading its tentacles.

The FBI has installed optical fibre cables to link together roughly 2,500 terminals. The networks, from DCA 10Net, of Ohio, are arranged in clusters around an optical fibre backbone and connected to a wide area network.

Optical fibre cables have been hailed for some time as the most secure way to send data. Now the technology appears to have won the ultimate seal of approval.

CONTACTS: Parallel Research: UK, 0272 656261. Droid Systems: US, 212 534 5800. Concrete Hitech: France, 1 45 02 18 00. Zeta Services: UK, 0625 583850. CRL Group: London, 533 2918. DCA 10Net: US, 513 433 2238.

**MANAGEMENT:** The Growing Business

Going public

# Where aspirations could float away

## A listing is not necessarily the answer. Charles Batchelor reports

Kevin McNeany, founder and managing director of Nord Anglia Education, spent four months and £300,000 preparing his company for a flotation on the Unlisted Securities Market (USM). Last December on the day before the price of the issue was due to be announced, McNeany decided that his company, which runs 16 private schools and five language schools, was being valued too cheaply and cancelled the flotation.

"I wasn't willing to accept the price because it was 20 per cent less than what had been suggested before," says McNeany, a former teacher who, over the past 18 years, has built up a company with turnover of £8.2m and pre-tax profits of £610,000.

"My financial advisers said: 'You can't do this.' I said: 'I am'," recalls McNeany. "Disappointed and despondent," McNeany took the train back to Manchester from London to re-negotiate credit lines with his bankers which he had thought the flotation would render unnecessary.

McNeany is just one of a growing number of entrepreneurs to have discovered in the past year or so that a public flotation – traditionally the goal of most aspiring businessmen – is not without its problems.

Some do not realise their mistake until they have obtained a listing. Andrew Lloyd Webber, the composer, announced earlier this month that he wanted to take his Really Useful Group private again after just three years on the stock market. Many more simply shelve their plans to go public and quietly withdraw before too much money and time has been wasted.

Much of the disillusionment stems from the lower market ratings accorded to many companies since the stock market crash of October 1987. Smaller public companies have traditionally proved to be better investments than large but last year, for the first time in seven years, they underperformed larger companies – by 24.8 percentage points – according to the Hoare Govett Smaller Companies' Index.

Many smaller companies are also finding that a public listing does not significantly increase the liquidity of their shares while the need to keep shareholders informed of their company's progress is a considerable drain on directors' time and energies.

These factors have contributed to a decline in the number of new UK company flotations on the full, USM and Third Markets last year to 210 from 268 in 1988.

"A public listing was very fashionable in the mid-1980s," says Richard Hargreaves, managing director of Baronsmead, a London-based venture capital group. "But now there is an increasing trend for people to say: 'Why do I want to be public?'"

"We regard the public markets as very much closed at the moment," says Ronald Cohen, chairman of Alan Patricof Associates, another venture capital firm. "Our experience of young companies which have done extremely well is that their performance is not appreciated on the USM. It is not just a question of investor confidence. The market is inefficient because there are not enough market makers for small companies."

Peter Ogden, chairman of Computacenter, a fast-growing computer systems group, began to experience similar misgivings as he prepared his company for a full Stock Exchange flotation last year.

"From August on we started to get bad vibes," Ogden recalls. "It was obvious that entrepreneurial companies were not liked by the market. The UK stock market doesn't know how to value high-growth companies."

With Computacenter and its advisers "ready to press the button" on the float, Ogden and his fellow directors decided not to go ahead. Despite having spent close on £500,000 on preparations – £100,000 each on an accountants' report, merchant banking advice and legal fees and the balance on "odds and ends" – the company decided to wait a while.

Even with 1989 sales of £155m and pre-tax profits of £6m, Computacenter was too small to withstand the buffetings of a public market, the directors decided. "Small companies which come to the market don't have the reserves to withstand a downturn," says Ogden. "One bad year and you've had it."

Life has not only become tougher for smaller companies once they are listed; the hurdles to obtaining a flotation have also been raised. There are signs that the advisers who bring companies to market are becoming more wary of helping smaller companies go public.

"We used to say we would not float a company with profits of less than £1m though we now look for profits of £2m-£3m unless there are exceptional circumstances," comments Diana Darlington, a corporate finance director at stockbrokers Panmure Gordon.

Not only are some advisers becoming more choosy, the forthcoming demise of the Third Market will also narrow small firms' options.

The Third Market, which opened for business in January 1987, is to be absorbed into the USM over the next 12 months in the wake of new European Community legislation governing stock markets. Despite its failure to match early hopes – only 77 companies are at present listed – the Third Market did provide an introduction to public company life for a minority of companies.

For Altnacraig Shipping, a two-year old Glasgow company financed under the Business Expansion Scheme (BES), the death of the Third Market has come as something of a setback. Altnacraig, which made pre-tax profit of £141,000 on sales of £1.36m last year, had intended from its outset to seek an early Third Market listing to allow its overseas investors to trade their shares. Foreign investors are not affected by UK tax rules which deprive UK investors of their BES tax reliefs if they sell their shares within five years.


"We were looking very seriously at the Third Market in the middle of last year but were advised that the market would be closed," says Ross Belch, Altnacraig chairman.

The board discussed seeking a listing anyway but held back in case it prejudiced the company's BES relief when the USM and Third Market merged. BES companies are barred from a USM or full stock market listing in their first three years though they are allowed a Third Market quote.

So what can a company do if it finds a public listing is either unattractive or impractical? If the reason for flotation was to raise money, there are alternatives.

● Kevin McNeany's first thought was that he would have to slow Nord Anglia's expansion programme which involved the acquisition of more schools. But at the suggestion of a non-executive director he decided to try to raise development capital.

McNeany went first to Charterhouse Development Capital. He compared its initial offer with what was available from other development capital groups and managed to win a better deal. Charterhouse earlier this month agreed to provide £3m in return for a 39 per cent stake in Nord Anglia.

● Computacenter already had three venture capital investors but they were keen to realise part of their investment rather than increase their holding. Peter Ogden says he found a sympathetic investor in Investcorp, an international investment bank backed by Middle East funds.

Investcorp last month agreed to invest £22m for a 30 per cent stake of the computer group. Half of the investment represents "new" money with the rest going to buy some of the shares held by existing investors, including Computacenter's employees.

"Investcorp valued us rationally on the basis of our earnings and our discounted cash flow rather than by some arbitrary principle," says Ogden.

● Altnacraig, for its part, is planning another round of BES fund-raising. It hopes to raise £2.5m in April to reduce its bank borrowings, boost its working capital and continue its ambitious ship-purchasing programme.

All three companies have solved their financing problems, for the time being at least. In the long run though – even if a company is disenchanted with the stock market – its investors may press for a listing so that they can take their profits.

Some companies may opt instead to sell out to another while a minority may even be profitable enough to buy out their shareholders and remain unlisted.

Many companies in continental Europe, in countries with relatively under-developed stock markets, have managed to grow without recourse to a public share listing. Growing British companies, for all their reservations about the stock market, have yet to find a satisfactory alternative.

# Negotiation to break the ice

**By Charles Batchelor**

The entrepreneur who sets up in business will expect to take all of the important decisions in the early stages of building up his enterprise. If the business grows, his or her direct rule will make way for a more formal structure with one or more layers of supervision and management.

These managers will have to achieve results as much by persuasion and argument as by exercising executive authority, according to Alan Fowler, a personnel consultant, in a new guide to negotiating skills.*

The skilled negotiator always aims for a collaborative approach and may deliberately break the ice with a few minutes' friendly small talk before opening up the subject for discussion, says Fowler. If the negotiating partner is known for his aggressive manner the manager should not respond with abuse but should attempt to calm matters while at the same time sticking to his prepared position.

Negotiations often take place between single individuals but if a manager knows he is dealing with a far more experienced counterpart he should consider taking a colleague into the discussions to achieve a better balance, Fowler suggests. If a team is involved each member should be assigned a role. A three-person team might consist of a leader who takes a constructive stance, someone to take a tougher line and a "sweeper" to observe reactions, check progress and bring in points missed by the others.

Timing and the pace of negotiations can have a crucial influence on their outcome. If tempers are running high over, say, a fatal accident at work, a delay may reduce the charged atmosphere. But if wage talks are taking place at a time of high inflation an early and apparently generous offer may lead to a quick settlement whereas delay could lead to a higher ultimate award because events have been overtaken by inflation.

Location can also influence negotiations. Most people prefer to negotiate on their home ground but a neutral setting may be needed to avoid antagonising the other side. One manager always went to the office of colleagues – even more junior ones – to show he was ready to put himself out and establish an early advantage, Fowler notes.

People often feel comfortable in a formal setting around a table because each side has its own territory. But a less formal approach, sitting your discussion partner in a deep armchair with a cup of coffee, can defuse aggression.

Successful negotiation depends on far more than offering the other side a cup of coffee, and Fowler explains in detail the skills and the approaches required, but a shrewd use of a few simple techniques can have a big impact on the outcome.

*Negotiation: Skills and Strategies. 143 pages. Published by the Institute of Personnel Management, IPM House, Camp Road, Wimbledon, London SW19 4UX. £9.85 inc p+p to non-members.*

# Discounts for RBS customers

The Royal Bank of Scotland is to offer small business clients discounts of between 15 and 50 per cent on personal computers, office furniture, mobile phones and business travel in an attempt to increase market share.

The bank has only about 100,000 small business clients – turning over less than £2m a year – but claims 40 per cent of the small business market in Scotland and 18 per cent in north-west England. It has 850 branches.

The discounts have been negotiated directly with a single supplier of each category of goods or services. Examples include ICL offering 20 per cent off personal computers and associated peripherals and software, 30 per cent off a Panasonic fax machine and £300 off Vodafone equipment, extended warranties and free itemised billings for £199.

A business travel service through A T Mays, a Royal Bank subsidiary, will take small businesses into the corporate discount market they could not otherwise reach. This will give up to 43 per cent off hotels, 50 per cent discount on air travel outside Europe, and 50 per cent off car rentals with both Hertz and Avis.

The scheme also includes extended warranties on many products and free installation. It will be promoted during the next two months and will run until the end of this year.

**Ian Hamilton Fazey**

# How to get funds from the EC

The European Community spends billions of Ecus each year on its regional, social and agricultural programmes. The problem facing the businessman is that he does not know what the money will be spent on or who to contact within the Brussels administration.

A guide through the maze is provided by a new directory, The Structural Funds of the European Communities,* which gives a country-by-country description of the main spending programmes up to 1993, recently doubled to Ecu 60bn (£43bn).

The directory has been compiled from the national spending programmes, many of which are only available locally in the national language of the country concerned, says Graeme De la Mer, joint compiler. The directory also lists the names and numbers of the official to contact.

The plans give advance warning of likely projects and should allow companies based in other member countries to find local partners in time to prepare bids to carry out the work.

* *Available from London Chamber of Commerce, 69 Cannon Street, London EC4N 5AB. Tel 01-248 4444. 450 pages. £500.*

**CB**

## BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

### SWISS PRIVATE BANK SEEKS MINORITY PARTNER

to expand its 5 year old operation in readiness for 1992

Capital required £3M plus securities portfolio

Principals only to apply in first instance to:

*PRAGER AND FENTON SA*
*Certified Public Accountants*
*15 Rue du Cendrier, 1201 Geneva, Switzerland*

### U.S.A. VENTURE

Atlanta U.S.A. British owned chemical company established 1947, specialising in air conditioning/refrigeration/industrial waste water/water treatment, seeks compatible new products/technologies in related fields to market as agents throughout Eastern States.

Write to Box F9574, Financial Times, One Southwark Bridge, *LONDON. SE1 9HL*

### YOUNG PRODUCT DEVELOPMENT COMPANY

with innovative and exciting new products and business opportunities of world wide potential, seeks and experienced financier/equity partner who could offer marketing an managerial support to progress this unique enterprise:

Write Box F9584, Financial Times, One Southwark Bridge, *LONDON. SE1 9HL*

### MERGER

Un-quoted Plc with a substantial shareholder base seeks merger with leisure companies with a view of obtaining a quote on the stock market.

Please reply in confidence to ref: MA/S Fax No: 01-706 2348

### WYLDE PRODUCTIONS REQUIRES

The services of an international distribution company for the record industry. The company should have particular interests in the Middle East and Arabic speaking nations.

*For more information contact*
Wylde Productions Ltd
*84 Greenhill, Prince Arthur Rd,*
Hampstead London NW3 5TZ

### ATTENTION OF CHAIRMEN/MDs

Expanding? Looking for a general mgr with a financial background? Entrepreneurial, "Hands-on", Surrey based FCA, 45 with sound prof. Management consultancy and European exp. Currently managing fin. dept of intl group. Seeking long-term challenging opportunity in small to medium expanding companies.

Principals please write to

Box F9586, Financial Times, One Southwark Bridge, London SE1 9HL

### MBA

Early 30's with financial backing seeks business opportunity.

Write Box F9592, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

### VISITING CHINA MARCH 1990

British businessman offers contacts for purchasing or selling products. Will sample as directed. Commission or joint ventures considered. Strict confidentiality. This difficult Chinese market requires special expertise but can prove very lucrative.

Contact : PHILLIP BYRNE.
*P.B.(INTERNATIONAL) LTD.*
83A New Road Site, Horsforth, Leeds LS18 4QD
Fax. (0532) 586713

### Tenant required

for potential conference centre/sports & social club/leisure centre/equestrian enterprise on beautiful 400 acre coastal estate in renowned sailing area, 50 mils London. Numerous houses and buildings,

Write Box F9580, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

### CORPORATE FUNDING

FUNDS AVAILABLE FROM PRIVATE AND INSTITUTIONAL INVESTORS

FINTAX (UK) LIMITED
Sunlight House, Quay Street,
Manchester M3 3JZ
Tel No. 061 835 3331
Fax No. 061 833 0752
FIMBRA

### INTERNATIONAL EXECUTIVE RECRUITMENT COMPANY

With clientele of major city firms. Seek link with complimentary business to expand London office.

Write Box F9585, Financial Times, One Southwark Bridge, London SE1 9HL

WE ARE ESTABLISHED AND EXPERIENDED HOUSE-BUILDERS/DEALERS. Last year '89 we made ½ million net profit. Any individual/company willing to join forces & invest to make this 5 million?

Write box F9549, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

### Growing Company

with substantial resources can provide backing and counsel to individual/small business with ideas and energy but shallow pockets.
Exporting a speciality/
Fund limited only by the quality of the application.

Write Box F9587, Financial Times, One Southwark Bridge, London SE1 9HL

### Recruitment Businesses Required

Specialist, general and high street throughout the UK Substantial funds available, support for 'start-up' opportunities also considered. Contact, in complete confidence, Jerry Harris, Parkinson Group Plc. Tel: 0622 862888 Fax: 0622 862999

### FINANCIAL PARTNER

for prestigious property development and contracting in niche market with excellent long term prospects. Empathy with business and minimum investment of £250,000 is sought from Partner.
Tel 0283 702888

### BLOCKED FUNDS (LEONES) REQUIRED

settlement sterling London.
Full details write to:
Box F9583, Financial Times, One Southwark Bridge, London SE1 9HL.

### POLAND GET IN AT THE START

Successful British businessman (Polish origin) will undertake introductions, negotiations, research etc. on your behalf. Call 01-907-0584

### 100% TAX ALLOWANCES AVAILABLE NOW

on Wakefield West Yorkshire Enterprise Zone.
Good Yields/Guaranteed Rental Income

Colliers Stewart Newiss
Ref: MP/TJR
Tel: (0532) 454433
Fax: (0532) 459437

Vice President of major multinational corporation planning early retirement seeks to purchase a partnership share or a majority company shareholding as principal in small but well established import/export business. Can contribute management strength, worldwide contacts and countertrade capability.

Write Box F9557, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

### NURSING HOME OPPORTUNITY

Site (Approx. 1 acre) in residential location of East Retford with DPP for a new build 40 Bed Nursing Home. O/O £275k
Tel (0602) 290886

### FINANCE DIRECTOR

Experienced FCA, now completing an assignment, seeks part-time executive involvement in challenging situations. Excellent City connections and local bank relationships.

Box F9579, Financial Times, One Southwark Bridge, London SE1 9HL.

### Experienced Business Executive

age 40 with substantial captial available, requires an interest in any progressive company situated in North West. Write in confidence to

Box F9582, Financial Times, One Southwark Bridge, London SE1 9HL.

FINANCIAL PARTNER WANTED around £100K for novel health and leisure centre with leading doctor. Tel: 061 486 1695

DEBENTURE SEATS CARDIFF ARMS PARK For sale (fifty years) North upper stand - debenture seats will be sold to highest tender closing date 1.3.90. Write for tender forms Box F9588, Financial Times, One Southwark Bridge, London SE1 9HL

## AIRCRAFT FOR SALE

### BUSINESS AIRCRAFT

Sales • Operating Leases
Insurance • Support Package
Management & Crewing

EXECUTIVE JET CENTRE·HEATHROW

Fields
Tel: 01-759 7015
Telex: 8952145
Contact Neil Harrison Fax: 01-759 7305

### CORPORATE & AVIATION SERVICES

advice - inspection - valuation - acquisition - delivery - operation -

Atlantic Bridge Aviation Limited
Tel: 023383 671
Fax: 023383 661
Tlx: 966159

## PERSONAL

### CONCORDE TO NEW YORK

For a romantic week in one of the world's most glamorous cities. £5,250.
Please ring
BALES TOURS:
0306 76881

## CLUBS

EVE has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 01-734 0557. 189, Regent St., London.

## BUSINESSES FOR SALE

### FOR SALE BRITISH ISLAND AIRWAYS PLC

**(In Administrative Receivership)**

The Joint Administrative Receivers offer for sale the tangible and intangible assets of the above company.

- Spares and equipment for MD83 and BAC 1-11 aircraft.
- Airline support systems.
- Potential reorganisation to protect and retain air transport licences and certain other intangible assets.

For further information contact Nigel Atkinson or Malcolm Fillmore.

**Touche Ross**

55/57 High Holborn, London WC1V 6DX.
Tel: 01-405 8799. Fax: 01-831 2628. Telex: 261296 TRCHAN G.

Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

### UNIQUE & CREATIVE

Well known creative manufacturer/importer of plants, trees and flowers, supplying leisure industries, TV/film sets, leading stores, interior designers.

Est. 45 yrs, West Middx. Sale due to impending retirement of owner/MD.

Company has unique competitive advantage of being able to make custom-designed flora in-house.

Apply to C. Hayman, Hamilton Slipper Accountants, 4 Churchill Court, 58 Station Road, North Harrow HA2 7SE

### BUILDING CONTRACTOR

Northwest of England/North London with excellent freehold offices. £12m annual turnover with growth potential. Good reputation; established 20 years 15 current contracts. Housing development.

Write Box H5820, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

### LOWLAND

On the instructions of the Secretary of State for Scotland, the Scottish Transport Group offers for sale:

***LOWLAND SCOTTISH OMNIBUSES LTD***

Lowland is a major operator of local bus services in and around the Borders of Scotland and in parts of the Lothians. The company also runs coaches.

For further information, please write to:

STG

*Mr Malcolm Roxburgh,*
Commercial and Planning Executive,
*The Scottish Transport Group,*
Carron House,
114/116 George Street,
Edinburgh EH2 4LX

The contents of this advertisement, for which the Scottish Transport Group is solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Coopers & Lybrand Deloitte as a firm authorized by the Institute of Chartered Accountants in England and Wales *to carry on investment business.*

The shares in Lowland Scottish are not traded on a recognised or designated Investment Exchange and as a result there is no recognised market for the shares.

### Smith & Williamson

Corporate Finance · Corporate Recovery · Taxation · Banking · Investigations
Investment Management · Pensions & Life Assurance · Accounting · Auditing

**The Joint Administrators offer for sale the Business and Assets of**

### MORITZ LIMITED

The company is involved in the distribution of nutritional, household and personal care products.

- ★ Turnover £1.7M p.a.
- ★ Leasehold premises in Milton Keynes.
- ★ Finished Stocks of Water Purifiers and Personal Care Products of £300K.
- ★ Raw Materials of £100K.
- ★ Distribution network of 11,000 agents.
- ★ Experienced and Qualified Workforce.

For details, contact Peter Yeldon or Peter Mills at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Telephone: 01-637-5377. Fax: 01-323-5683. Telex: 25187.

Smith & Williamson, Chartered Accountants Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Smith & Williamson Securities Authorised institution under Banking Act 1987. Member of IMRO. Member of the British Merchant Banking and Securities Houses Association

### For Sale

Double Glazing/Conservatory Business

- Manufacturing and selling operations
- Based in the South-East
- £16 million turnover

For further information please fax
Dick Strover or Peter Somers on 01-760 0897
Or write quoting ref. RGS 48 to:

Coopers & Lybrand Deloitte,
Melrose House
42 Dingwall Road
Croydon
Surrey CR0 2NE

Coopers & Lybrand Deloitte — Solutions for Business

### Enzone Plastics Limited

**BILSTON**

The business and assets of the above well known manufacturers of moulded rigid and flexible polyurethane and thermosetting plastics are offered for sale by the Joint Administrative Receivers.

Principal assets include:–

- Modern leasehold factory (15,000 sq ft with ample car parking)
- Canon C7 Foam Machine, Gusmer Spray Machine, 4 OMS Machines
- Good order book
- Skilled workforce
- Turnover approx. £50,000 per month.

For further information please contact Joint Administrative Receivers A.G. Pearce or G. Ord, Ernst & Young, Windsor House, 3 Temple Row, Birmingham B2 5LA. Tel: 021-626 6262 Fax: 021-626 6343.

**Ernst & Young**

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

### Brighton Hotel & Conference Facility offer for freehold £850,000

To arrange an appointment to view the hotel please telephone in the strictest confidence Mark or Sita Goldberg on (0273) 26447 (weekends, evenings) or 01-464 6655 during normal working hours.

### TIMBER WHOLESALER – CREDITON, DEVON
### DIRECT TIMBER SALES LIMITED IN ADMINISTRATIVE RECEIVERSHIP

The business and assets of the Company are offered for sale by the Joint Administrative Receivers.

- 1988/89 turnover of £1.2m
- Plant and Machinery, Office Equipment, Vehicles
- Substantial trading stock
- *Currently trading from* 14,000 sq. ft. leasehold premises where the freehold may be available.

For further details please contact the Joint Administrative Receiver: Richard Neville

**KPMG Peat Marwick McLintock**
Phoenix House, Notte Street,
Plymouth, Devon PL1 2RT
Telephone: 0752 225381

### Norcrest Limited

(IN ADMINISTRATIVE RECEIVERSHIP)

The Joint Administrative Receivers offer for sale the business and associated assets of the above company which trades from freehold premises on 1.5 acres of land at Dunkeswell, near Honiton in Devon. The company manufactures timber frames and roof trusses for houses.

Enquiries should be addressed to the Joint Administrative Receivers, Mr. D.H.A. Peacock and Mr. C.M. Clapp at Ernst & Young, Broadwalk House, Southernhay West, Exeter, EX1 1LF. Tel: 0392 433541 Fax: 0392 75175.

**Ernst & Young**

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

### EUROFRIDGE

*The Joint Administrative Receivers of Carrymaster plc offer for sale as a going concern the business of Eurofridge specialist trailer manufacturers briefly comprising:*

- Fully equipped leasehold premises
- Skilled workforce
- Turnover in excess of £5 million
- Plant and equipment
- Stock in trade and work in progress

For further details please contact the *Joint Administrative Receivers:*
P T Masterson or P Ramsbottom

**KPMG Peat Marwick McLintock**
Edward VIII Quay, Navigation Way,
Ashton on Ribble, Preston, Lancs PR2 2YF
Telephone: 0772 722822 Fax: 0772 736777

### CHRISTIE & Co

**On the instructions of Messrs CTE Hayward and RH Oldfield, Joint Administrative Receivers.**

### A Central London Hotel Group.

A total of 237 rooms close to Marble Arch.
Combined turnover £2.5 million ex VAT.
**Group Price £19.5 million**

**Hotel A**
94 rooms en-suite, cocktail bar, seating for 50 persons, lifts. Valuable rental income of £125,500 pa
**£9 million freehold**

**Hotel B**
99 rooms all en-suite, bar, lounge, dining room, lift
**£7.5 million freehold**

**Hotel C**
44 rooms mostly en-suite, bar, lounge, dining room, disco, lift.
**£3 million freehold**

*Contact Gerard Nolan*

LONDON OFFICE 01-799 2121

### Four Star Luxury Hotel

The assets and business of the Royal Victoria Hotel, St Leonards-On-Sea, Hastings are offered for sale.

- 52 suites; full conference facilities
- Recently refurbished to a high standard
- RAC 4 star; Egon Ronay recommended
- *Turnover projection £2 million*
- Full complement of management and employees
- Freehold

Please contact Adrian R Stanway, Joint Administrative Receiver, for full details: Cork Gully, 5 Town Quay, Southampton, Hampshire SO9 1ZG.
Telephone: 0703 632772. Fax: 0703 231628.
Telex: 477755

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.
Coopers & Lybrand Deloitte is the business name used by Coopers & Lybrand in the UK, which will merge with Deloitte Haskins & Sells, in the UK on 29 April 1990.

Cork Gully

### Animal Feed Process

The Administrator offers for sale the business and assets of Feedcare Limited, a company which has developed and *patented the 'AUTOGERM' process of accelerating the* germination of cereal grains for animal feed to significantly enhance the feed value and digestibility of the raw grain.

To date over £700,000 has been invested in the process which now requires further investment to prove and commercially develop the process. Assets comprise:

- Registered UK Patent
- 10 'Autogerm' Production Modules
- Considerable tax losses

For further details contact: D J Waterhouse, Administrator at Cork Gully, Albion Court, 5 Albion Place, Leeds LS1 6JP. Tel: 0532 431343. Fax: 0532 424009. Ref: DJW/TS.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.
Coopers & Lybrand Deloitte is the business name used by Coopers & Lybrand in the UK, which will merge with Deloitte Haskins & Sells, in the UK on 29 April 1990.

Cork Gully

### TRAILER EQUIPMENT LTD

The Joint Administrative Receivers of Trailer Equipment Ltd offer for sale as a going concern the business of specialist trailer leasing and contract hire:

- Turnover £1 million
- Portfolio of 139 trailers on lease, contract hire and casual hire

For further details please contact the Joint Administrative Receivers:
P T Masterson or R C J Taylor

**KPMG Peat Marwick McLintock**
Edward VIII Quay, Navigation Way,
Ashton on Ribble, Preston, Lancs PR2 2YF
Telephone: 0772 722822 Fax: 0772 736777

### FOR SALE ELECTRONICS PRODUCTION FACILITY

- Close to M4 near Bath.
- Low rental leased property 15000 sq ft
- Room for expansion
- Good catchment area for staff
- Comprising:
- Comprising:
- Professional management staff
- High technology
- Quality approval to AQAP.
- Extensive recent investment in capital equipment.

Ideally situated in a cost competitive area. For details write in confidence to

Write to Box H5818, Financial Times, One Southwark Bridge, London SE1 9HL.

### FOR SALE

Employment Business & Agency (Industrial Based)

Well established employment business and agency plus trade mark, base in North. T/O £4.5M in 1989.

Specialist in temporary help in production and engineering, good spread of plc. clients. Unique marketing concept, owner retiring, offers in the region of £1 million. Principals only.

Write Box H5821, Financial Times, One Southwark Bridge, London SE1 9HL

# BUSINESSES FOR SALE

## CARRYMASTER PLC

The Joint Administrative Receivers of Carrymaster plc offer for sale as a going concern the business of specialist trailer manufacturers briefly comprising:

* Fully equipped Freehold premises 70,000 sq. ft.
* Skilled workforce
* Turnover in excess of £10 million
* Plant and equipment including overhead cranage
* Stock in trade and work in progress

For further details please contact the Joint Administrative Receivers: P T Masterson or P Ramsbottom.

KPMG Peat Marwick McLintock
Edward VIII Quay, Navigation Way, Ashton on Ribble, Preston, Lancs PR2 2YF
Telephone: 0772 722822 Fax: 0772 736777

## Thew Marine Limited

(In Receivership)

The business and assets of the above company are available for sale as a consequence of the receivership.

- Operating from the King George V (No. 7) Dry Dock in Southampton (the largest operating dry dock in the United Kingdom), length 348 metres, breadth 40.4 metres, depth over sill 11 metres.
- Providing a full shipboard engineering service including the outfitting, conversion, repair and refurbishment of coastal waters and ocean going passenger, merchant vessels and warships.
- Affiliate holds AQAP 1 approval.
- Substantial order book.
- Turnover approx. £9 million for the 6 months to 31 December 1989.

For further information please contact Peter Padmore, Price Waterhouse, The Quay, 30 Channel Way, Ocean Village, Southampton SO1 1XF. Telephone: (0703) 330077. Telex: 477260. Fax: (0703) 223473.

*Price Waterhouse*

## Motor Accessories Manufacturer

East Midlands

The company is an established manufacturer selling to the UK and overseas.

* Annual turnover of approximately £2.5 million.
* Current year pre-tax profits expected to be £150k.
* Substantial exports to the USA.
* Products used by many major motor manufacturers and importers.
* Excellent prospects for growth.

For further information please contact Peter Miles, Corporate Finance Partner, or John Terrill, at Spicer & Oppenheim, Newater House, 11 Newhall Street, Birmingham, B3 3NY. Telephone 021-200 2211. Principals must be disclosed.

SPICER & OPPENHEIM
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

## EAST MIDLANDS

An opportunity arises to acquire a lucrative and growing Insurance Brokerage.
Life, Pensions, Motor and General products supported by extensive Database. Trained staff in both life and motor/general departments.
Ground floor freehold office suite, with rental income from let office suite first/second floors.
Established computerised quotation/mailing/accounts systems in situ.
Ideally suit two or more professionals in the field. Audited accounts available. Offers around £200k.

Write Box H5833, Financial Times, One Southwark Bridge, London SE1 9HL.

## Business Transfer Estate Agents For Sale

This must be one of the most profitable Estate Agency Practices in England. Based in the North and showing well in excess of £1m Gross Profit with outstanding Net Profits, *already increased on last year.*
Splendid Freehold offices, fully computerised and having large car parking facilities. Free of all ties.
Ideal Acquisition for Banks, Building Societies, Insurance companies or any leading Financial Institutions.

**Offers over £5m**

Genuine enquiries from Principals only please. No Agents or Intermediaries. Write Box H5809, Financial Times, One Southwark Bridge, London SE1 9HL.

## FOR SALE

FREEHOLD - DOOR & WINDOW FRAME CENTRE ALSO TIMBER AND D.I.Y. - (Est 1977) Approx 100'x60' building and large car park. Turnover £300,000 per annum Price £260,000 + SAV for property & business

P.E. Wilkinson (Doors) Pinfold Lane Bridlington. North Humberside. Tel: 0262 - 674319.



## RICHMOND SUEDE AND LEATHER CARE LIMITED

(In administrative receivership)

The Joint Administrative Receivers are seeking a buyer for this nationwide business of specialists in dry cleaning, finishing and repairing suede, leather and sheepskin garments.

Plant, machinery and equipment, together with the large modern leasehold factory and offices in Long Crendon, near Aylesbury, Buckinghamshire.

Please contact:
Martin Bird
Joint Administrative Receiver
BDO Binder Hamlyn
8 St Bride Street
London
EC4A 4DA
Telephone: 01-353 3020
Fax: 01-583 3507

BDO BINDER HAMLYN

*Chartered Accountants*

*BDO Binder Hamlyn is authorised to carry out investment business by the Institute of Chartered Accountants in England and Wales.*

## Humberts Leisure

### 17th Century Village Inn with Romany Caravan Holiday Business

Prime Oxfordshire/Cotswold Borders. 4 double letting bedrooms, bar and restaurant/lounge. Planning consent for 4 further bedrooms and conference room. Listed 2 bedroom stone cottage.

**For Sale Freehold**

Details: James Lawrie ARICS

### Wine Bar For Sale

- City/Barbican location.
- Well established trade.
- New 20 year lease.

Details: David Gooderham ARICS

Humberts National Leisure Division
25 Grosvenor Street, London W1X 9FE
Tel: 01-629 6700

Leisure Industry, Hotels and Licensed Property Consultants

TAYLOR Corporate
LONDON • BOURNEMOUTH • LEEDS

## NURSING/REST HOMES FOR SALE

1. Superb village retirement complex, Southern England. 42 bed purpose built N.H., 39 bed RCH plus 52 apartments for the elderly. Detailed planning for further development. Price on application.
2. North East England based group - 196 beds in 5 units. High occupancy levels and excellent profits. Price on application.

Full details from June Willoughby, Taylor Corporate, 01-390 8748.

A member of the Business Sales Group plc

## EXHIBITIONS

publishing company wishes to dispose of exhibitions subsidiary with two exhibitions, one in 3rd year of development and one in 1st year. Tax loss of £400,000 available, otherwise debt free clean company.

**Contact in first instance**
**Mr J Hardiman on:-**

Tel: 0327 301302
Fax: 0327 300139

## WOOD & PICKETT OF LONDON LIMITED

Basingstoke, Hants

Established company for sale with a reputation of excellence in the market of coachbuilding and restoration of classic cars.
Reply to:
Martin Bramley, Clarkson Hyde,
Chartered Accountants & Consultants,
137-143 High Street, Sutton, Surrey SM1 1JH.
Tel: 01-642 8224, Fax: 01-643 3938

## AIR CHARTER Commercial A.O.C.

* Well established, profitable company with substantial corporate customer base.
* Beechcraft Super King Air 200 in superb condition.

Write to Tony Bennett 9, West Halkin Street, London SW1X 8JL or Fax 01-235-7401

## MAGNIFICENT ENGLAND/SCOTLAND BORDERS NURSING HOME

REG 42-planning permission to increase to 63. Extensive site ideally suited for Sheltered Housing development. Immaculate setting.

Further details on request from Sole Agents
PROFESSIONAL MANAGEMENT SERVICES
63/65 HIGH STREET, SKIPTON BD23 1EF.
TEL: (0756) 799511

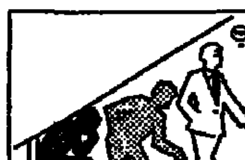
## FOR SALE PRINTING AND PUBLISHING BUSINESS

Long established company providing packaging, greeting cards and associated printed products. Turnover over £1 million. Printing and publishing divisions could be split.

Write Box H5826, Financial Times, One Southwark Bridge, London SE1 9HL.

## FOR SALE TYRE REMOULDING/RETREADING BUSINESS

Based in the South West. Ready access to the M4. Turnover £2 million per annum. Car and truck tyres. Freehold factory also available for sale. Experienced work force.
Write Box No. H5799 Financial Times, One Southwark Bridge, London SE1 9HL.



Over 3,000 innovations/technologies are submitted to us annually, which we categorize, patent and present to companies for exclusive licence.

If you are looking for new products to manufacture and/or market then telephone or write for further information.

**Inventions to Industry**
Portman House, George Street, Aylesbury, Bucks. HP20 2HU, England
Telephone: (0296) 84141 Facsimile: (0296) 433199 Telex: 837520

## EQUIPMENT RENTAL COMPANY FOR SALE

An opportunity exists to purchase a well established Rental and sales operation specialising in Microcomputer Development Systems and test and Measurement Equipment. Located in North East London the business has been developed to a turnover of approximately £500,000, is profitable, and offers excellent potential for development.

Box H5805, Financial Times,
One Southwark Bridge,
London SE1 9HL.

## OLD ESTABLISHED COMMERCIAL VEHICLE

body building with purpose-built paintshop. Also engine, transmission and axle remanufacturing. Turnover approx £2m. Situated on 3 acre site, approx 60,000 sq ft of buildings, mainly single storey including modern showroom plus commercial vehicle sales frontage to main road. Half a mile from motorway junction. Ideal for contract hire, leasing or short term hire. Owner wishes to retire.

*Write to box H5825 Financial Times, One Southwark Bridge, LONDON. SE1 9HL*

## MARKETING AND SALES PROMOTION AGENCY

Independent below the line Agency in Greater London has Design, Direct Marketing and Sales Promotion blue chip clients. Fee and commission income of £1.75m. Wholly owned by working directors who seek growth by merger, acquisition or sale with continued involvement.

Please reply to Box H5810, Financial Times, One Southwark Bridge, London SE1 9HL.

## FREEHOLD PETROL STATION FOR SALE

* Petrol company tie- 9 years to run
* South coast location
* Fuel sales - 1.2m gallons p.a.
* Shop sales £200,000 p.a.

PRICE £850,000

Ref. BPR

Goadsby & Harding
37/43 St Peter's Road
Bournemouth,
Dorset BH1 2JR
Telephone: (0202) 299300

CHRISTIE & Co

## NORTH EAST RESIDENTIAL NURSING HOME GROUP

Exclusive Rural Care Village plus 2 Nursing Homes, 2 Residential Homes. Total Reg. 157 beds. Further dev possibilities. For sale Freehold as a group or as individual units.
All enquiries contact
Andrew Long or Judith Holmes
Newcastle Office *Ref 64/73046/50*

NEWCASTLE OFFICE
091-222 1740

## FOR SALE MEAT DISTRIBUTION GROUP

Current annual turnover £8,000,000. Established customer base in South East England.
Principals only.

*Write Box H5823, Financial Times, One Southwark Bridge, London SE1 9HL*

## PRINTED CIRCUIT BOARD COMPANIES FOR SALE

Based in the South East and also the Midlands High Tech, superb plant and equipment with blue chip customer base.
Turnover 2/5 million.

Principals only
Write Box H5812, Financial Times, One Southwark Bridge, London SE1 9HL

## PRINTERS & STATIONERS FOR SALE

Kent based Co. with t/o £700k well equipped print works 3000 sq. ft. plus modern shop

ASTRA
MANAGEMENT LTD
BUSINESS SALES
Dunnottar, Fairway, B. Sussex, TN22 3BT
0825 712953

## FOR SALE

The opportunity has arisen to acquire a small group of well established quality county magazines with substantial forward orders and potential for growth. Principals only to write to:

Box H5832, Financial Times,
One Southwark Bridge,
London SE1 9HL

## EASTERN EUROPE

One of the few U.K. specialist export companies to Eastern Europe with successful track record and valuable exclusive agencies for sale.

*Write Box H5816, Financial Times, One Southwark Bridge, London SE1 9HL*

## FOR SALE MOTOR DEALERSHIP

South Coast main road location. Freehold. Well established. Prestige franchise opportunity for outright purchase as a going concern. Principals only.

*Write Box H5828, Financial Times, One Southwark Bridge, London SE1 9HL*

## LIMITED COMPANY FOR SALE

International transport business established for 10 yrs. Strong client base. Situated S.E. England. T/O £2m p.a.

Serious enquiries only to Box H5803, Financial Times, One Southwark Bridge, London SE1 9HL

## LADIES FASHION COMPANY

Turnover £2.5m
Good profits and management
Prime West End showroom
Principals only write
Box H5796,
Financial Times,
*One Southwark Bridge,*
London SE1 9HL.

## AIR BEARING DESIGNERS AND MANUFACTURERS

Established company with excellent technical skills is offered for sale.

* Innovative design record
* Highly experienced staff
* Precision engineering facilities
* South coast location

*Write Box H5822, Financial Times, One Southwark Bridge, London SE1 9HL*

## FOR SALE THE U.K.

Offices of an International RECRUITMENT CONSULTANCY, based in the North and South Home Counties within the M25. A thriving business with a blue-chip client base and top-calibre consultants turning over in excess of £300,000. May be of interest to a European consultancy wishing to gain a foothold in Britain. Preliminary details to Principals only.

Write Box H5815, Financial Times, One Southwark Bridge, London SE1 9HL

## FOR SALE

Major and expanding European car franches garage and filling station valuable freehold site in thriving industries area-North West England. Turnover £1.7 million and rising Offer in excess of £500,000 Principals only Tel Lakey & Co 0423 531611 for full details

## THEME RESTAURANT

Trades Friday and Saturday evenings only! Net turnover approaching £250k p.a. and rising. Exhilariting level of profits. company owned, run entirely by management. Freehold premises, circa 3000 sq.f.t Kent City.
PRICE: £395,000 s.a.v.
ANTHONY JACKSON & ASSOCIATES
(0344) 52233 - 24 hour

## LIGHT ENGINEERING/ SHEET TUBE AND METALWORK COMPANY FOR SALE

East Anglian based. Long established. T/O c. £1.4m. Excellent customer base. Parent company wishes to concentrate on other core activities. For further information please write to:

Box H5829, Financial Times,
One Southwark Bridge,
LONDON. SE1 9HL

## INJECTION MOULDING COMPANY

Based in South Wales, established 10 years. Blue Chip customer base. Skilled workforce and well-maintained plant. Leasehold premises with room for expansion. Probable Grants for suitable buyer.

Write to Box H5831, Financial Times, One Southwark Bridge, London SE1 9HL

## SUBSTANTIAL RECRUITMENT AGENCIES FOR SALE

Branches throughout U.K. Office Staff, Professional & Technical Turnover circ. £20m. Commensurate profits Principals only

Box H5830, Financial Times,
One Southwark Bridge,
London SE1 9HL

## SMALL FASHION ACCESSORY BUSINESS

£30,000 ono plus stock at valuation.

Write Box H5794, Financial Times,
One Southwark Bridge,
London SE1 9HL
or fax 0403 39050

## Films of Bristol Limited

(In Receivership)

The business and assets of this recently (1989) formed company available for sale. The company provides modern co-ordinated and comprehensive media production facilities to professional producers to enable film, video, radio and audio programme production. Based in central Bristol, the principal features include:

- Turnover building up to £80-100,000 per month.
- 4 film edit suites, 2 off-line edit suites.
- New England Digital Synclavier and Direct to Disc.
- Beta-SP edit suite.
- 2 Sony 507 cameras.
- 5,000 sq ft approx. leasehold premises.
- Equipment hire and retail sales departments.

For further information, contact DA Howell FCA, Price Waterhouse, Haywood House, Dumfries Place, Cardiff CF1 4BA. Telephone: (0222) 376255. Fax: (0222) 374124.

*Price Waterhouse*

## REPLACEMENT WINDOWS AND CONSERVATORY BUSINESS

Offers are invited for the assets and business of A B A Windows Limited (In Administrative Receivership). The company operates from a head office factory/warehouse premise in Welwyn Garden City and from showrooms in Hatfield, Hertford, Potters Bar and Stevenage. Established business of some 12 years standing. Current turnover circa £2,000,000 per annum.

For further information contact Alistair Lambert on 0727 38255 or the office of the Administrative Receiver:-

N J Hamilton-Smith of
Morton Thornton & Co.,
Torrington House,
47 Holywell Hill,
St Albans, Herts AL1 1HD

Morton Thornton & Co

## FOR SALE PROFITABLE SECURITY SWITCH COMPANY

Designs and manufactures high quality key operated switches for the General Security, Computer and Office Equipment, Medical Equipment and Control Systems markets. Turnover £1 million, *Employees 33, Location London.*

For further details, please write to:- Box H5798, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

## FOR SALE SELL-THRU VIDEO/CD SHOP

Important M25 town in established centre. Large unit long lease.

**Principals only write to Box H5806, Financial Times, One Southwark Bridge, LONDON. SE1 9HL**

## RETAIL FROZEN YOGHURT BUSINESS FOR SALE

TEL: 01-727 5835

## IBM PC DEALERSHIP

* £3M Turnover
* Inc. Maintenance £300k
* Substantial freehold
* Surrey based

Principals only please write to Box H5814, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

## UNIQUE OPPORTUNITY

to acquire a superior group of Nursing Homes situated mainly in Nth Midlands comprising 4 immaculate units totalling 170 beds with extensive planning consent. Contact Gill Pearson - 0246 200013

## CONTRACT HIRE COMPANY FOR SALE

500+ cars, quality
customers 3/4 million
existing tax losses
PRINCIPALS ONLY

Write Box H5802, Financial Times, One Southwark Bridge, London SE1 9HL

## ELECTRONIC PRODUCTS

Established group wishes to concentrate on core activities and is seeking a purchaser for its electronic manufacturing business. Turnover currently £0.5 million and increasing. Ideal add-on opportunity.

Write Box H5797, Financial Times, One Southwark Bridge, London SE1 9HL

**GENUINE OPPORTUNITY** to enter the lucrative Newspapers for Birthdays Business. 120,000. Original newspapers. £190,000. Tel: 0462 631190/631303.

**GLASGOW'S PREMIER NIGHT CLUB** City Centre Location. Capacity 540. Licensed to 6 a.m. Price - £775,000 for Freehold Property. Seymour Paul & Co. 041 332 9200.

## For Sale

High Quality Colour Printing Company. Commercial, Mail Order, Advertising Work. National Accounts. Seven Figure Turnover with strong profit record, ongoing management.

Box H5808, Financial Times,
One Southwark Bridge,
London SE1 9HL.

## HOTEL (LICENSED) CHELSEA, SW3 LONDON

26 letting rooms, office, Breakfast, Utility rooms. 2 adjoining Victorian buildings with three breakthroughs. 5 floors. Clean area. Potential, could produce over ½M p.a. *Prime freehold: £2M.*

**Principals only contact: 01-352 7610**

## PRINTING BUSINESS FOR SALE OR MERGER

Sales over £1 million, situated Central London, 3 miles City and West End, in modern premises with room for expansion.

Write Box H5817, Financial Times, One Southwark Bridge, London SE1 9HL

## FOR SALE

Precision sheet metal engineering company in Middlesex leasehold premises. Broad customer base and modern plant. T/O £1.4m.
Principals only write to

Box H5824, Financial Times,
One Southwark Bridge,
London SE1 9HL.

## Mail Order Jewellery business for sale

Established 10 years. Large customer base including exports. Excellent potential for growth.

Send for brochure and brief details in first instance to Box H5800, Financial Times, One Southwark Bridge, London SE1 9HL

## 1992 OPPORTUNITY

Untraded holding co. with french subsidiary. Freehold 3 acre industrial site with P.P in French channel port site.

Principals enquiries only to Box H5801, Financial Times, One Southwark Bridge. LONDON. SE1 9HL

## APPROACH

the experts for business sales and purchases.
19 offices.

RSBS (0438) 367222.

**200 BEDROOMED HOTEL FLORIDA** 1.5 miles from Disney World $41,670,000. Apply Lynchcorpe, 11 Uxbridge St, London W8 7TQ.

**VIRGIN COMPANY FOR SALE SYNERGY GROUP PLC.** Write Box H5804, Financial Times, One Southwark Bridge, London SE1 9HL.

For Sale by Private Treaty

## SUBSTANTIAL PROPERTY COMPANY

Residential Property Rental Company in Dublin Area comprising:-

300 Apartments
50 Controlled Houses
30 Uncontrolled Houses
Office Building
Mortgage Portfolio
Liquid Investments

**Entire share capital for sale**

**Enquiries to:-**

Ivor Cherry,
Rawlinson & Hunter,
Chartered Accountants
31 Kildare Street,
Dublin, 2.
Ireland
Tel: +355.1.616011 Fax: +355.1.613467

RAWLINSON & HUNTER

CHARTERED ACCOUNTANTS

## BUSINESSES FOR SALE

# The Goodman Gray Group

## (In Receivership)

## Goodman Gray Limited
## Gibbons Timber Products Limited
## Tudorground Limited
## Arden Timber and Plywood Company Limited

### Altrincham and Birmingham

Importers and distributors of timber based sheet materials.

- Annual turnover £10m
- 30 employees
- Established customer base
- UK wide operations

## Old Halls Limited

### Golborne

Manufacturers and suppliers of kitchen furniture

- Projected turnover £3m
- 47 employees
- High quality product
- Distributor network

## Raven Furniture Limited

### Manchester

Manufacturers and suppliers of solid hardwood kitchen furniture doors.

- Annual turnover £1.1m
- 65 employees
- Fully equipped leasehold premises
- Potential for growth

For further details please contact the Joint Administrative Receivers:

Jonathan Birch,
Grant Thornton,
Kennedy Tower,
St Chads Queensway,
Birmingham B4 6EL.
Tel: 021 236 4821
Fax: 021 236 0257

Allan Griffiths,
Grant Thornton,
Heron House,
Albert Square,
Manchester M2 5HD.
Tel: 061 834 5414
Fax: 061 832 6042

**Grant Thornton**

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

# How to get financial backing for your business

*"When we needed equity capital to finance growth, we placed an advertisement in the Financial Times. It was a great success. The telephone started ringing the day it appeared. In all, that one advertisement brought us over 30 quality responses."*

This comment, from a director of Quatro Enterprises Ltd., tells you why an advertisement in the Financial Times Business Opportunities pages can be the shrewdest investment you ever make.

Every Tuesday and Saturday, investors scan these pages, looking for the kind of opportunity you can offer. Suppose, for example:

*You're a small business needing capital to meet start-up costs.

*You've a new patent, product or service that requires financial backing to get it on the market.

*You're an established business looking for equity funding for further growth.

*You're seeking to sell-off part of your company.

The FT delivers your message wherever decisions on capital investments are made.

*Reach the people that matter*

More accountants read the FT than any other daily paper.* They monitor the FT's Business Opportunities pages, then they advise their corporate clients on when and where to invest.

And our influence doesn't end there. It extends right into the boardroom. You see, a full 70 per cent of our readers are of managerial and board member status.†

But it isn't just corporate investors we'll help you attract. In all, the FT has more than 753,000 readers in the U.K.‡ Over 50 per cent of them make frequent personal investments.§ They have the capital. You have the growth opportunity. The FT brings you together.

*Capitalise on the FT's connections*

For just £166.50—the cost of a boxed advertisement—you can make your proposition direct to the most affluent, influential people in the U.K.

Never has such a small investment promised such huge returns. Make this investment work for you. Find out more about the FT's Business Opportunities pages by completing the coupon below and returning it to Claire Broughton, Classified Advertising Department, Financial Times, Number One, Southwark Bridge, London SE1 9HL.

Then see for yourself why Angus Forrest, Managing Director of Venture Capital Report says, "If you're involved in the business of equity investments, no newspaper or business magazine gives you introductions like the Financial Times."

☎ 01-873 3000

To: Claire Broughton, Classified Advertising Department, Financial Times, Number One, Southwark Bridge, London SE1 9HL.

Please send me more information about advertising in the FT's Business Opportunities pages.

*Name:* ____________

*Title:* ____________

*Company:* ____________

*Address:* ____________

____________ *Postcode* ____________

*Signature:* ____________

*Date:* ____________

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FT

*BMRC 1988 Businessman Survey †BMRC 1988 Businessman Survey ‡NRS Jan-Dec 88 §Private Investors Survey, 1987

All advertisements are subject to acceptance and suitable references where required.

## BUSINESS SERVICES

**BASED IN LONDON? YOU CAN CUT COSTS NOW**

You run an efficient organisation, but overhead cost are always a concern. These costs can be significantly reduced in one area. Contract-out some, or all, of your purchasing and goods-inwards. Modern communications allow us to handle your purchases remotely yet professionally in our low-cost and efficient offices. We can even receive and inspect your supplies and deliver them direct to your end-users on time.

We have a well-proven track record of providing these services to large organisations in the UK and overseas. Our substantial resources enable us to give you first class support.

For more information contact:-

Professional Purchasing & Supplies Ltd, Rycote Place, 30-38 Cambridge Street, Aylesbury, Bucks HP20 1RS.
Tel: 0296-392298

**Buying or selling a business? We'll cover your risk**

When you sell a business or go public you may have to give warranties and indemnities which could render you liable for damages as well as legal expenses, even if you are not at fault.

This liability can be insured under our Warranty and Indemnity Insurance Policy.

For more information contact:

**Warranty & Indemnity Insurance**

DIRECTORS & OFFICERS LIMITED

Marshall's Court, Marshall's Road, Sutton, Surrey SM1 4DU.
Tel: 01-661 1491 Telex: 8951673 EPISL G
Regional offices: London, Birmingham, Halifax, Glasgow

WOOTTON ADVERTISING MANAGEMENT offers advertising services for smaller firms throughout the world wishing to sell industrial or consumer products in the UK.

We will write and produce your product information, sales brochures, corporate literature and space advertising for the English-speaking market.

AND/OR We will act as your Advertising Manager or in-house advertising Department on a consultancy basis in the UK for the amount of time per week we both agree is necessary to promote your firm's objectives most efficiently and effectively.

Initial Enquiries to Box No H5819, Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

**TECHNOLOGY MARKETING FOR RESULTS**

Does your company sell a complex product or service? Are you fed up with trying to get sense into or out of your agency? Call, fax or write First Marketing and Communications, Colmore House, 108 Lordship Lane, London SE22 8HF (Tel) 01-693 8221 (Fax) 01-299 3828. Our team of internationally experienced technology marketers, engineers, graphic designers and copywriters will rapidly grasp your key marketing and technical issues and turn them into crisp, effective, result-rich, promotional tools and programmes.

**harrowell**
*putting · people · first*

Consider the benefits of networking PCs. For advice on Office Systems call John Lynch.

NOVELL
UNIX
OS/2
AIX

IBM Business Centre

*(01) 541-1-541*

Harrowell UK Ltd 72 Richmond Rd
Kingston Surrey KT2 5EL.

**LOANS**

Up to £1 million secured on domestic property to 90% of valuation or commercial property to 70% of valuation.

Open to directors, limited companies and partners, non status, no accounts or income proof required. No capital repayments.

Contact James Rye
Prestwood Rye Financial Planning Ltd
Tel (0272) 744495
(A MEMBER OF FIMBRA)

This service is not regulated by the Financial Services Act 1986 and the rules made for the protection of investors by that Act will not apply to it.

(CONSUMER CREDIT LICENCE NUMBER 189990)

**ACHIEVING EFFICIENT EUROPEAN SALES**

Our Europe to Europe tele-marketing strategy targets your sales area to secure qualified customer introductions. Working to your specifications, our multinational sales and research staff provide a cost effective and practical system for export support.

Contact:

**TRADCOMM**

Frankrijklei 101, 4th Fl.,
Antwerpen BELGIUM
Tel. 03/226.43.92 Fax 03/231.54.38

**COMMERCIAL FINANCE**

Competitive Rates
12.5% Fixed Interest Mortgages
Business Finance to 80% of cost
Asset-based Finance
Construction Finance to 100%

SOVEREIGN INSURANCE CONSULTANT (LONDON) LTD
Tel: 01-379 6322
Fax: 01-379 4152

Not all the services advertised here are regulated by the Financial Services Act 1986 and the rules made for the protection of investors by that Act will not apply to them.

**SWISS MAILING LISTS**

Available at very favorable prices.

Contact: Mr Gordon Bach
ATLANTIC LISTS, INC.
20533 Biscayne Blvd, Suite 4-312
Aventura, Florida, 33180
or call 305 937 2538
or Fax 305 935 0962

**FAX To U.S.?**

*Fax to the United States for as little as $.13 per page!* If you routinely fax a single document to multiple locations in the States, our Trans-Fax service can save you time and money. You fax the document to us once. Then, Trans-Fax faxes the document to multiple locations at domestic U.S. rates.

E-Fax Communications Inc
Phone 415-836-8931
FAX 415-836-8935

**European Commercial Mortgage Bureau**

Commercial funding available, from £100,000.00 upwards. Direct access to banks. Basket of currencies. Loans for EEC countries.

*Call (01) 402 8383 NOW*
For an application form

Paralegals PLC, 117 Praed Street, Paddington, London, W2 1RL.
Licensed Credit Brokers,
No. 271779

**PINEWOOD FILM STUDIOS**

venue of the stars is available for all functions, conferences, exhibitions, and private parties. Full catering for 20-1000 people, 5 formal rooms, 3 elegant bars, beautifully landscaped gardens with marquee facilities, parking.

Location Caterers Ltd
0753-656951, Rose Cassidy

**SMALL BUSINESS PROBLEMS?**

Contact someone who has practical experience and can offer *independent advice and help on* a consultancy basis. Initial meeting free of charge.

Ring 0896 7262

**NIGERIAN PROMISSORY NOTES**

*Specialist traders in Nigerian debt*

Telephone Mr Miller
01-346 7234

**AVIATION BUSINESS CONSULTANTS**

Airport, Airline and Aircraft - Feasibility studies, acquisitions, disposals, management, development, catering and hotels, personnel and marketing.

*Century House, Reading St, Tenterden, Kent, England.* Tel 023383641
Fax: 023383661 Telex 966159

EXCEL USERS. Need help? Individual training consultancy. Call COMPUTER SOLUTIONS 0438-714027.

A Czech (BSC) will help with trade negotiations, commercial investigations and representations in Czechoslovakia. 17 - 115 992 at Publicitas, CH-1700 Fribourg Switzerland write to box H5817, Financial Times, One Southwark Bridge, London SE1 9HL.

FINANCE FOR EXPANSION BY FACTORING. Specialist independent service tailor made for the small business with cash flow problems. County Factors Limited (0202) 690094.

DIRECT MAIL LISTS & SERVICES 100'S of ready-made lists immediately available. Suppliers to leading UK companies. Free catalogue. Market-scan, Freepost, Chichester, Sussex. Tel 0243 786711

BUSINESS AND ASSETS of solvent and insolvent companies for sale. Business and Assets. Tel: 01-262 1164

## OFFICE EQUIPMENT

IF YOU ARE BUYING YOUR OFFICE FURNITURE ELSEWHERE YOU ARE PROBABLY PAYING TOO MUCH!

London's No.1
BUDGET FURNITURE PLC
01.737 1371

## BUSINESS WANTED

**DIRECTOR MANAGER/INVESTOR WISHES TO HELP CARRY ENGINEERING BUSINESS TO FUTURE SUCCESS**

T A R G E T

Engineering Business with lacklustre performance or MBO/MBI seeking additional engineering skills.

C O N T R I B U T I O N

- Cash available.
- 20 years experience at GM/Director level (including MBO) in quality engineering companies.
- Enthusiastic and hard working engineer.

R E Q U I R E M E N T

Control of smaller company or equity investment in larger business as Director/Manager or part of MBO/MBI.

L O C A T I O N

N, E or S Yorkshire, Humberside, Teesside or E Lancashire.
Write in confidence to: Mr. Paul Ashcroft, P.O. Box No. H5793, No. 1 Southwalk Bridge, LONDON SE1 9HL.

**MOTOR DEALERSHIPS REQUIRED**

A company operating in the South East wishes to expand it's operation by acquiring established Motor Dealerships located within easy reach of London.

*All applications will be treated in strict confidence.*

Please write Box H5834, Financial Times,
One Southwark Bridge, London SE1 9HL

**ATTENTION ELECTRONIC ENGINEERING COMPANIES**

We act for a well funded privately owned company in the electronic engineering and telecommunictions industry. The company has strong connections in the North American market and is rapidly developing a European presence.

Our client is looking for companies in related and complementary fields, who demonstrate a profitable future and who can use our client's strengths to enhance their own performance.

If you are thinking of a sale or merger and don't want to be a small fish in a large pond our client would be delighted to have a chat about the possibility of combining our abilities.

In the first instance please write to Jurge Gabrielczyk at Chaucer Limited, 14 Pall Mall, London SW1. Giving brief details and an evening telephone number.

**SPECIALIST TRAVEL RETAILERS AND/OR TOUR OPERATORS WANTED**

Leading special tour operator, with substantial funds, wishes to acquire other travel retailing and tour operating companies (or divisions), specialising in the following markets:
Channel Islands
Golf Holidays
British or French Cottages
Arts, Music and Historical Interest
Cruising

Write in complete confidence to Box H5811, Financial Times, One Southwark Bridge, LONDON, SE1 9HL

**WANTED SHELL/ COMPANY REQUIRED**

PLC Listed/ Delisted Looking for relisting. We are a small group with good assets overseas and in U.K. and are looking to either merge or reverse into a vehicle which has access to Institutional support. We wish to extract as much return from our assets but need support for further expansion.

Please write in the strictest confidence to Box No H5827, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

**WANTED**

An established business in London or Home Counties with a turnover up to £100,000. Full control required, no franchises.

P Cranleigh-Swash
55 Hammersmith Grove,
London W6 ONE

**Road Transport Business Required**

Please contact
Miss L. Follington
Tel 0734 781343
Fax 0734 776733

## AIRCRAFT FOR SALE

**FOR SALE**

The BRNF Liquidating Trust invites offers for all or part of the following assets:

20 Boeing 727-200 Advanced Airplanes
19 Spare JT8D Engines
Approx. $12 million worth of B727 rotable parts

Details of the assets may be obtained from:

The BRNF Liquidating Trust
C/O Simat, Helliesen & Eichner, Inc.
Attn: Clive G. Medland/Uli Baur
90 Park Avenue, New York, NY 10016
TEL: (212) 682-8455
FAX: (212) 986-1825
TELEX: 4949296
SITA: BOSSHCR

* Bids close 5 p.m. Eastern Standard Time 24 February 1990
* All inquiries will be handled in the strictest confidence
* All bids, together with evidence of financial responsiblity should be submitted in writing to the above address

## OFFICE EQUIPMENT

**AMERICAN BANK MOVES H.Q.**

OVER 500 Desks, Chairs, Filing cabinets, Tables etc., etc., must be sold.

| | |
|---|---|
| Executive Rosewood Desks from | £350.00 |
| Matching Credenza & Filing Cabinet from | £125.00 - 250.00 |
| Leather chairs | £150.00 |
| Light oak Desks | £145.00 |

All offered in excellent condition

Why pay more ring now on 549-9339

## BUSINESS OPPORTUNITIES

**ACQUISITION OR PARTNER SEARCH**

Independent international M&A consultancy provides confidential dedicated pan-European acquisition or partner identification, accessing all available databases, market research and broker network contacts.

Contact ALLEN CHEYETTE MA (CANTAB) ACA
EUROSEARCH M & A,
Dartmouth House,
119 Dartmouth Road,
London NW2 4ES,
United Kingdom,
Tel: (+44 1) 208 2223
Fax: (+44 1) 208 4557

EUROSEARCH M&A

**DATA CAPTURE & KEYING**

Fast, accurate, volume turn round (Documents & data). London Co. with Associated offshore facilities. Attractive rates.

Tel: Nigel ffooks 01 749 9014/5
Fax: 01 749 9013

**THE BUSINESS SECTION ALSO APPEARS ON PAGE 6 TODAY**

# Rediscovery of Russian artists

**William Packer in Paris reviews the work of Pavel Filonov and František Kupka**

With the easing of the old, hard cultural certainties of communism which has been not the least of Mr Gorbachev's contributions to our fin de siècle world, has come the quite literal rediscovery of the Russian art of the earlier decades of the 20th century, and of course its artists.

It is not that they were unknown exactly, for rediscovery naturally infers an existing fund of knowledge, and reputation has a way of hanging in the air, like scent, for sometime after the fragrant personage has moved on. But what we have been allowed to acknowledge at last, as the curtain has been drawn back on their achievement, is not merely their particular originality and critical place in the history of modernism, but just how good so many of them were. That their quality can now be measured over extended and often desperately difficult careers, in circumstances of active hostility and suppression, only makes that collective achievement the more poignant and remarkable.

Pavel Filonov, with a major exhibition lately opened at the Centre George Pompidou in Paris (until April 30), is but the latest beneficiary of this revisionary process. In the event, it was made possible by the active co-operation of the Russian Museum of Leningrad, where a retrospective was held some 18 months ago, which not only shows how far the world has moved on in recent years, but is also nicely ironic. For in 1930, after a year's delay, that same museum had finally cancelled a long-projected retrospective of Filonov's life's work. It was an act of critical betrayal, done in a flurry of back-tracking and self-justification, that effectively put an end to his public career. He died in the winter of 1941, during the siege of Leningrad, aged 58.

As with so many artists of his generation, Russian artists especially, Filonov's work is marked by an early engagement with cubism and subsequent transition into abstraction. But, unlike so many of his compatriots, yet like the cubists themselves, he remained in essence a figurative painter. And though he had travelled once to Rome and Paris, in 1912, the stronger influences manifest in his work were always to be Russian, founded in peasant life and ambiguously religious and symbolic imagery before the Revolution, and in the teeming, energetic, even frightening life of the city after.

He was always at heart a symbolist, even though the rich surfaces and deceptive, stylised simplicities of that earlier period might seem lost in the dense, prismatic fragmentation of the later. He continued to work almost to the end, with that more positive figuration returning in the late 1930s, with the air-raid pictures, and peasant heads.

Filonov identified with the people, supported the Revolution, set himself and his work to the service of the State, the artist as true proletarian. But these were now the years of the new orthodoxies, of collectivisation and the first 5 Year Plan. All his efforts were only to win him that final, cruel blow of ideological rejection as metaphysical, individualist, petty bourgeois, fearful of the new reality. To our eyes, any such fear in 1929 would have been fair enough.

★

At the other end of the city, at the Musée d'Art Moderne de la Ville de Paris (until February 25), there is just time to catch another worthwhile exercise in the rehabilitation of a pioneer of modernism, though the parallel must not be forced too close. František Kupka was born in Bohemia and studied in Prague, but came to Paris in 1896 and made his career in France, where he died in 1957 at the age of 86. He too remained in sort a symbolist throughout his career, and his work also marks that same transition from figuration to abstraction. But in his case, though figurative elements would occasionally re-emerge, his commitment to abstraction was virtually complete and was made remarkably early.

The several series of large abstractions, unusually large for their period, the "Amorpha" series of simple organic images contrived of overlapping circles and ellipse, and the even simpler vertical compositions that uncannily prefigure some New York abstraction by more than 40 years, were begun around 1911. While they were not continued indefinitely as a conscious theme, the interests they represent can certainly be traced throughout, on the one hand the organic and obviously intuitive, with its hints of the sublime and transcendental, and on the other the more disciplined, architectural and restrained.

The nice paradox is that while much of the former, which dominated that first decade of experiment, seems now the more unresolved formal terms, and mawkish and over-blown in sentiment, the latter, from the 1920s on, curiously absorbs and subsumes that creative energy, to give so much of that later work its formal strength and emotional force.

But more fascinating still is to mark the initial transition, through the first decade of the century, from overt symbolism through to abstraction as such. The actual devices seem commonplace enough, for so long have they been the stuff of the art school studio and induction course into colour theory and formal invention. But for Kupka the drive was clearly more personal and direct, as he sought to shift the emotional intensity of his work away from the image itself to invest it in the paint and the actual structure of the work.

He was a natural image maker, with all the true fauvist's energy and quick facility. His mecs, chanteuses and gigolettes parading the loucher Parisian streets of between 1908 and 1910 are memorable enough, but it is with the paintings and studie of the figure that he was making at just that time, in which the image and composition are analysed and broken down into discrete formal elements, that critical interest rises above the purely pleasurable. The show is subtitled "The Invention of an Abstraction." This was the time of Picasso's and Braque's deepest engagement in cubist analysis, and it is salutary to be reminded that such interests were both general and various.

'Nude No 3,' 1908-10, by František Kupka

'Têtes,' 1928, by Pavel Filonov

# Hunter/Ronson

**HAMMERSMITH ODEON**

One of the minor ironies of life is that rock music, created by the young, for the young, shows an almost Confucian respect for ageing. Once you have clawed your way on to vinyl or CD your livelihood is secure, even more so if you manage to die. Old rockers are bio-degradable, constantly re-cycled with only slowly diminishing impact.

So welcome back Mott the Hoople who had a brief acrimonious flirt with the Big Time in the early 1970s. Apart from the memorable name – pinched from a little read novel – their main footnote in pop history is that they closed the Albert Hall to rock music for years, so riotous was their performance there. The Odeon Hammersmith hardly noticed on Friday when the main selling points of Mott – singer Ian Hunter and guitarist Mick Ronson – re-appeared to plug a new album.

Hunter is probably unchanged – it was hard to tell since he still hides behind enormous dark glasses and a mass of black curls. But the years have strained his voice and a slow cynicism seems to bow him down as he moves laguidly from keyboards to guitar. There are attempts to work a double act with his partner ("Mick's going to sing for you now – don't get too excited"), but it seems an effort.

And how right he is because Ronson appears even more incredulous at the pair's survival, choosing puerile songs that even the Barron Knight's would have rejected like "Let's Have Another Baby", and plodding through an excruciating instrumental version of "Sweet Dreams of You" as if auditioning for a punk band.

But you don't go to see Hunter and Ronson for state of the art music; you go because you remember "All the Young Dudes" and "All the Way from Memphis" and want to shake hands with such songs again. The old staff, when Mott were acolytes of David Bowie and earlier, is trotted out but the new album provides an excuse.

Its re-assuring, safe, and quite pleasant – like a warm bath. If you miss drummers who bash out long solos there is Micky Curry for you; if you yearn for rock with no frills and few thrills, which mildly excites but scarcely threatens, catch Ian and Mick. They nail their colours to the mast with their best new song "American music," a reverie for touring days on the state highways, for the US stadia rock fame they just missed.

It would have suited their form of crash-bang, fairly melodic songs with relatively intelligent lyrics. Seeing them at the Odeon reminded me of old variety stars who only work at panto time – and then as a Chinese Policeman. But they are safe in rock's commodious hall of fame.

**Antony Thorncroft**

# Mahler's Ninth

**FESTIVAL HALL**

On Sunday Kurt Sanderling led the London Philharmonic in a performance of Mahler's last masterpiece which was stern, and sometimes disturbing – and triply strange. Strange, in the sense of wielding a Mahler-style very foreign to the current Western European consensus; strange also in its insistent bleakness, recognising scarcely any consolatory note in the score; strange too, unfortunately, in suffering from a gross orchestral imbalance throughout (of which more below). The concert was broadcast, and if the BBC engineers managed to salvage a better balance for transmission they are miracle-workers.

Sanderling's Mahler-style involves very broad, unambiguous strokes. The opening paragraphs of the Symphony were utterly drained, pallid and stricken – below any tempo that could be called "comodo," though thereafter he brought the pulse up to the usual speed. All significant entries and changes of pace were firmly underlined, the latter faithfully observant of Mahler's detailed prescriptions – granted the conductor's marked *ritenuto* (unmarked by the composer) as the recapitulation arrived, which it did to overwhelming effect. If there was something pedagogical about Sanderling's deliberate shaping, it carried a profoundly disconsolate weight.

The codas of both that movement and the final Adagio were relentlessly drawn-out, beautifully played. The mischievous tweaks in the *Ländler* movement were sour and aggressive, administered with cruel expertise: imagine a Breughel peasant-feast redrawn by George Grosz. The Scherzo swept by in a cackling fury, its rapt trio brusquely rebutted by jeering winds. In the Adagio Sanderling kept the tempo unmistakeably funereal – not extravagantly slow, just grave enough to ensure that even full-throated bursts of eloquence would sound valedictory, and the ticking harp in the wistful episodes like the tick of doom.

These comments are partly conjectural, for the distorted balance distorted many other things. To be blunt: the symphony became virtually a Concerto for Four Horns, Three Trombones and Tuba with orchestral accompaniment. Presumably it sounded all right from the podium, but from stalls-left it was bizarre. Every solo horn-descant dominated the music; in unison, the horns regularly swallowed up the massed strings, whose lines – often the principal ones – were just audible as background scratches. Especially in the first movement but also in the Scherzo, the central musical burden was forcibly submerged again and again. Whenever the brass fell silent, one heard suddenly that the LPO strings were offering unanimous expressive detail, and that the woodwind playing was distinguished. We should have heard far more of it.

**David Murray**

# The Knot Garden

**CINCINNATI**

Michael Tippett, whose opera *New Year* had its première in Houston in October, saw the New Year in in New York's Times Square (with BBC cameras in attendance). For his 85th birthday, the next day, he went to Pittsburgh, where Andrew Davis was preparing to conduct three performances of the oratorio *The Mask of Time*. Then on to San Francisco, for a Tippett festival of concerts, recitals and lectures, including the première of the *New Year Suite*, drawn from the opera. Back to New York for a *Child of our Time* in Carnegie Hall. And then, last week, to Cincinnati, where the Cincinnati Orchestra played the Corelli Fantasia thrice in its subscription series, a student quartet and later the Arditti played the First String Quartet, a chamber concert was given, and at the College Conservatory of the University of Cincinnati there were five performances of *The Knot Garden*. Sir Michael talked to students, talked on the radio, talked to audiences, and seemed to be winning all hearts. He set out next for Australia and the extended Tippett celebrations there.

I had not seen *The Knot Garden* since its Covent Garden première, in 1970, when on this page I gave it an enthusiastic welcome. But I read accounts of subsequent productions by Nicholas Hytner at Covent Garden, and by David Freeman for the Opera Factory, in a chamber orchestra version prepared by Meirion Bowen and was eager for a re-encounter. (I had also missed the American première in 1974.)

In Cincinnati, *The Knot Garden* was again enthralling. It seemed an opera even more powerful than before, wonderful though Peter Hall's 1970 production at Covent Garden had been. It was played in the smaller of the Conservatory's two theatres, a 400 seater, and every vocal gesture, every instrumental strand, every smallest glance was telling. There were two casts, and I was told that during rehearsals each of them had become a "family," rapt in the opera they were working on, eagerly exploring together the sense of each phrase.

One could believe it. Paul Shortt's setting was a shapely maze labyrinth of paths, pits, crossroads, deadends: formal in the first act, awry in the second, stripped to essentials in the third. Malcolm Fraser's production set the characters moving through it in stage pictures of precise dramatic imagery. The theatre is superbly equipped with lights, and even more lanterns had been added for this show; James Gage's lighting was a potent part of the dramatic adventure.

*Of special mention among the* singers should be Robin Carrington, for her searing emotional projection of the vocalises in Denise's aria; Robert Ashcraft, for investing Dov's music with vocal lyricism and making it sound so beautiful; Susan Pfau Smith, for the clarity and purity with which she sang Flora's music; and Lourin Plant and Michael Harper, the alternate Mels, both of whom were thrilling in Act 3 as they played simultaneously, ambiguously, their roles in the "Tempest" charade and as the Mel of the drama.

But this singling out is invidious. These were balanced, committed casts. The Bowen reduced score was used. The cellist, Julie Adams, calls for special mention, for she has an important role and she played it eloquently. But again special mentions are inappropriate in so carefully prepared an ensemble performance. Gerhard Samuel conducted, in a masterly way, and there were many other fine solos.

Just one big BUT. And a big one. The Cincinnati theatre was designed with an orchestral pit deep deep sunk, from which the players cannot hear let alone see the singers. And so there was not that coordination that most operas need. And the theatre, although it is so small, has, it seems, terrible acoustics which predicate amplification. Each singer had his or her individual microphone, carried in the costume, and the balance became a matter in the hands of the man at the electronic console, while the *sounds of the singers emerged from* loudspeakers above the stage. It may be but I hope not that Cincinnati is preparing its students well for what opera is going to be: enacted electronic opera at the Pyramids, in Earl's Court, in the tent at Battersea Park, and on video. It is an art form of a kind. But *The Knot Garden* does not belong to it.

**Andrew Porter**



# ARTS GUIDE

## February 16-22

### OPERA AND BALLET

**London**

Royal Opera, Covent Garden. *Don Pasquale*, in the facetious and now rather elderly Jean-Pierre Ponnelle production, is revived with an attractive cast – Paolo Montarsolo, Katheen Battle, Thomas Allen and Raul Gimenez, conductor Bruno Campanella. Final performances of the new production of Borodin's *Prince Igor* by Andrei Serban. English National Opera, Coliseum. David Pountney's polemical *Traviata* production continues in repertory, with Helen Field in the title role, and Alan Opie and Edmund Barham as the Germonts. Also, Berlioz's *Beatrice and Benedict*, produced by Tim Albery, full of ravishing music and subtle, fastidious stage pictures; and the latest return of *The Mikado* in Jonathan Miller's celebrated "white-hotel" reworking.

**Paris**

The Hamburg Ballet presents John Neumeier's *Peer Gynt* inspired by Henrik Ibsen. Paris Opera Orchestra conducted by Eri Klas (47425871)

**Amsterdam**

Netherlands Opera. A new production of Mozart's *Così fan tutte*. (255 455).

**Vienna**

Staatsoper. *Rusalka* by Anton Dvorak. *Turandot* by Puccini. *L'Elisir d'Amore* by Donizetti. Volksoper. *Der Opernball* by Heuberger. *Der Bettelstudent* by Karl Millöcker. *Così fan tutte* by Mozart. *My Fair Lady* by Franz Loewe. *La Bohème* by Puccini. *Don Giovanni* by Mozart. *Die lustige Witwe* by Franz Lehar.

**Brussels**

Théâtre Royal de la Monnaie. The Monnaie Opera in Mozart's *Die Entführung aus dem Serail*, a new production staged by Ursel and Karl-Ernst Herrmann conducted by Emil Tchakorov.

**Antwerp**

Koninklijke Vlaamse Opera. The Royal Flanders Opera in Monteverdi's *L'Orfeo*.

**Milan**

Teatro Alla Scala. Wagner's *Die Meistersinger von Nürnberg* is the fourth major opera production this season. (809126).

**Venice**

Teatro la Fenice. Donizetti's *Don Pasquale* in a co-production with the Opera de Lyon conducted by Gabriele Ferro. (5210161).

**Turin**

Teatro Regio. Sylvano Bussotti's production of Puccini's *Turandot* conducted by Yuri Ahronovitch, with Sophia Larson, Nicola Martinucci and Elena Mauti Nunziata. (8815241).

**Berlin**

Opera. *La Bohème* in Götz Friedrich's production. Kallin Esperian, Lucy Peacock, Antonio Ordonez and Ralf Lukas. A concert version of *La Sonnambula* conducted by Jesus Lopez Cobos with Iris Vermillion, Lucia Aliberti and Francesco Ellero d'Artegna. Roland Petit's ballet *Les Intermittences de Coeur* rounds off the week.

**Hamburg**

Opera. The first Hamburg *Lady Macbeth von Mzensk* production will have its premiere this week. John Neumeier's ballet *Ein Sommernachtstraum* returns.

**Frankfurt**

Opera. *Parallax* is jointly choreographed by William Forsythe, Susan Marshall and Amanda Miller, danced to music by Bill Trisell, Beethoven and Gavin Bryars. The rarely played *Iphigenie en Tauride*, sung in French, has Helena Doese *outstanding* in the title role. Also *La Bohème*.

**Cologne**

Opera. *Die Fledermaus* has fine interpretations by Josef Protschka, Alfred Kuhn, Teresa Ringholz and Heinz Fabian.

**Bonn**

Opera. Jean-Claude Riber's curious new *Macbeth* production, superbly conducted by Gianfranco Masini.

**Stuttgart**

Opera. There are two ballets: *Dornröschen*, choreographed by Marcia Haydee and *Der widerspenstigen Zähmung* by John Cranko. Final performances of the ultra modern *Le Nozze di Figaro* production by Peter Zadek.

**Munich**

Opera. *Der Rosenkavalier* brings Judith Beckmann, Barbara Bonney, Helmut Berger-Tuna and Susan Quittmeyer together. *Salome* stars Brigitte Fassbaender, Helena Jungwirth, John Broecheler, James King and Eliane Coelho. *Fidelio* is sung by Hildegard Behrens, Theo Adam and Spas Wenkoff.

**New York**

Metropolitan Opera. Thomas Fulton conducts the season premiere of Gian Carlo Menotti's production of *Manon Lescaut* with Mirella Freni, Peter Dvorsky and Italo Tajo. Charles Dutoit conducts Nathaniel Merrill's production of *Samson et Dalila*. Harold Prince's production of *Faust*, conducted by Charles Dutoit, continues. Lincoln Center Opera House. (362 6000).
New York City Ballet. The final week of the season features *Midsummer's Night Dream*, *Swan Lake* and *Moves*. New York State Theatre, Lincoln Center. (870 5570).

**Washington**

Washington Opera. The company takes up residence at the Kennedy Center Opera House with its first production of *Aida*. (467 4600).

**Tokyo**

Fifth – V. Modern dance choreographed by Ushio Amagatsu, of the famous Butoh dance group, Sankaijuku. Spiral Hall (405 5659). Ends Feb 21.

SALEROOM

# Plateau for prints

The value of contemporary prints seems to have reached a plateau. They appear so frequently on the market that the auction houses can estimate prices fairly accurately. At Sotheby's over the week end a four panel screen "Caribbean tea time" by David Hockney, measuring 83¾ ins by 136½ ins, involving lithograph, collage, silkscreen and hand colouring, produced in 1987 and one of thirty six, sold for $275,000 (£162,000), bang on target.

Hockney is one of the handful of contemporary print makers who is bought by the Japanese and "Hotel Acatlan: two weeks later," a 1985 diptych edition of 98, went to Japan for £110,000 (£65,000), also on estimate. Warhol seems to have peaked after post-mortem buoyancy and his best price was the $99,000 (£58,000), slightly below forecast, for fourteen unique colour trial proofs of "Cowboys and Indians," 1986.

Among the earlier 20th century prints four 1967 lithographs of Paris by Bernard Buffet, from an edition of 100, made $93,500 (£55,000), above forecast. A copy, one of fifty, of Joan Miró's, "Somnambule" of 1974 was just within forecast at $88,000 (£52,000), while a Japanese buyer paid $79,750 (£47,000) for the set of eight aquatints in colours of "Cirque," by Rouault, dated 1940, also above forecast.

Meanwhile in Perth over the weekend Christie's held its first auction of classic cars in Australia. Cars are becoming big business for the salerooms and this experiment, with just twelve vehicles, attracted five hundred spectators and raised a total of just over £800,000 (A$1.7m), with 2 per cent unsold.

An English private collector paid £231,110 for a 1911 Rolls-Royce Silver Ghost which in 1962 has been on offer for £3,150. A 1928 Bentley 4½ litre sports tourer, with a new body, sold for £143,807 and a 1933 Rolls Royce Phantom II continental sports saloon for £131,912.

★

Visitors to the House of Lords over the next few weeks can view a display of some of Sir Charles Barry's original drawings of the Houses of Parliament which for almost 150 years have been in the Soviet Union. They were given to Tsar Nicholas I in 1844 when he visited the construction site and have only recently re-surfaced. They are back in London on temporary loan. Twenty five sets of prints of the drawings, signed by Mrs Thatcher and Mr Gorbachov, will be auctioned by Bonhams, with proceeds going to British and Soviet charities.

**Antony Thorncroft**

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Tuesday February 20 1990

# Arguing over the tunnel

THERE IS something inherently implausible about the terms in which the public row over the fate of the Channel tunnel is being conducted. Can the future of a £4.8bn infrastructure project whose cost has now escalated to more than £7bn really be threatened by something as trivial as a personality clash, as some leading participants in the drama have suggested? And can it make sense for the contractors to reverse what might be regarded as the natural order by demanding changes in the top management of the operating company that pays them?

The short answer is a blunt negative on both counts. Nobody would accuse Mr Alastair Morton, chief executive designate of Eurotunnel, of excessive delicacy in the way he goes about his job. And since that job requires him to generate a profit from running the tunnel he would scarcely be able to defend his stewardship if he had failed to have an abrasive dialogue with the contractors on a scheme where costs have over-run by a stunning £2.4bn. If the rhetoric is running high, it is because the sums over which Eurotunnel and the contractors are haggling are huge.

As for the more detailed argument about management, it reflects the fact that Eurotunnel cannot gain access to £400m of temporary finance from its bankers without an amended construction agreement. Too much intransigence on the part of the contractors would ultimately damage their own interests, since they cannot expect to be paid if they themselves jeopardise the refinancing. But it is perfectly understandable that they should use what leverage they can in an attempt to protect their profit and loss accounts from potentially very large provisions and write-offs.

## Fundamental question

The more fundamental question is whether the problems over the tunnel project could have been avoided. Once again, the answer is no. From the outset the Jeremiahs have had a field day – justifiably so in relation to the cost projections. That scepticism, which was not shared by the 200 or so bankers involved in providing the lion's share of the finance, was well founded in the sense that the contractors who were responsible for the original proposal have no direct interest in the ultimate profitability of the tunnel's operations. The conflict of interest between contractor and operator is built into the project.

Given the importance of the tunnel to Britain's infrastructure, further finance will have to be forthcoming. It is therefore essential that both the banks and the investment institutions retain some confidence that costs will be controlled in future. Clipping Mr Morton's wings is scarcely the way to bring that about. Indeed, if the contractors are perceived to have imposed their own terms on the Eurotunnel management, the tunnel will certainly become the world's most expensive uncompleted white elephant.

## Excessive leverage

Part of the trouble with the financing arrangements is that excessive leverage was built into the balance sheet from the outset. Given the externalities involved, those risks would have been perfectly respectable in a publicly financed project. In a private sector financing, a far greater cushion of equity would have made sense; but it would not have been forthcoming from insurance companies and pension funds that were far less starry eyed about the tunnel than the banks. Hence the Bank of England's involvement in coaxing equity finance out of the investment institutions. A shortcoming in the venture capital market for giant projects has been made good through backdoor manipulation of private funds by a government that is more usually associated with *laissez-faire* solutions.

This curious half-way house between public and private management of capital is not without advantages. It is hard to believe, for example, that government officials would have waged as tough a battle with the contractors over costs as Mr Morton has been prepared to do. But presenting investors with an over-stretched balance sheet in the initial prospectus is not an auspicious way to go about such a monumental project. Finding more finance will be an exceptionally tough assignment.

# Testing poll for Australia

NATIONAL transportation in disarray, interest and mortgage rates around 20 per cent, stubborn inflation, ballooning deficit on the current account, falling living standards: an electoral nightmare. That is the backcloth against which Mr Bob Hawke, Australia's Labor Prime Minister, is asking for an unprecedented fourth consecutive term in next month's general election.

The evidence that elections in industrialised countries are decided by the state of the economy would suggest Mr Hawke is heading for the exit. But that would be to overlook several factors peculiar to Australia, including Mr Hawke's popularity and the dismal state of the federal opposition.

Mr Hawke was elected in 1983, 1984 and again in 1987, having weathered a severe recession in 1985-86 during which his Treasurer and impatient heir-in-waiting, Mr Paul Keating, warned that the country was in danger of becoming a banana republic. Since then, occasional carelessness in the management of fiscal and monetary policy led to excessive demand and an overheating economy. It is now beginning to cool, responding to the harsh but necessary regime imposed last year.

Australia's opposition has had seven years of famine, throughout economic boom and bust. The Labor Government has been adept at stealing Liberal clothes, introducing a stream of initiatives to liberalise long-protected sectors of the economy. It has been ahead on ideas and on presentation. Mr Andrew Peacock and Mr John Howard have alternated as Liberal leader. Mr Howard is good on policy but bad on television; Mr Peacock, the present leader, is the reverse.

## Wily politician

Mr Hawke, meanwhile, is a wily politician and has surrounded himself with a top-calibre Cabinet which only recently has shown signs of policy fatigue. This fatigue, mirrored by public fatigue with the Government (but not with Mr Hawke), should have been a spur for Liberals to try to regain the policy initiative. But it has not.

A small population in a vast country is dependent on efficient communications. Australian air transport is strike-bound as are the trams in Melbourne; industrial action is disrupting freight transport; the rail system is a tangle; the waterfront a mafia of anti-competitive Spanish customs.

Yet the Liberals have made no impact. Worse, the Liberal leadership remains divided. It goes into the election with an important plank of policy on health care in confusion because of financial miscalculations, giving Mr Hawke the opening for a pertinent jibe: "If you cannot govern yourselves, you cannot govern the country."

## Vulnerable

One important element of policy leaves Labor vulnerable: reform of the labour market. Labor has made much over the years of its "accord" with the trades unions in which wage increases have apparently been traded off against tax cuts, pension arrangements and productivity deals.

These accords had a hopeful beginning, ameliorating much of the country's endemic industrial strife. But they have now outlived their early usefulness.

Real incomes have been rising faster than the mirage suggests, and faster than the economy can stand. The accords have been a better public relations exercise than an effective tool of economic management. This week, with unabashed timing, Labor will produce the latest accord.

If the Liberals cannot expose its deficiencies and explain convincingly why it is not a valid substitute for a flexible and responsive labour market, they may not be able to win the election's economic debate and may not deserve to win the poll.

The next government faces an unenviable agenda. The easy reforms have been made. Tackling the rest to create a more efficient and liberal economy at the same time as finally breaking the back of inflation will not be easy, particularly within the constraints of Australia's absurdly short three-year electoral cycle. There are five weeks to go; Mr Peacock has a lot of catching up to do.

Japan's LDP has won again but will have to look more carefully to its base of support, reports Stefan Wagstyl

# Giving hostages to electoral fortune

On the face if it, the result of the Japanese general election looks like an unqualified mandate for the governing Liberal Democratic Party to continue the one-party rule of the past 35 years.

The sight of Mr Yasuhiro Nakasone, the former Prime Minister claiming triumphantly that victory has freed him from the taint of the Recruit scandal, makes it appear that the course of Japanese politics has not changed at all in the turmoil of the past year.

But in reality it has changed. Voters backed the LDP in Sunday's elections to the lower house of the Diet (Parliament) in the knowledge that they had already punished the party by inflicting last year its biggest-ever defeat in upper house elections.

"We still have LDP government," Mr Rei Shiratori, a professor of politics at Tokai University, said yesterday. "But it is not the LDP Government of the time before 1989."

LDP leaders will in future have to take more notice of public opinion and of the opposition parties which control the upper house, including the Japan Socialist Party, which scored big gains under the flamboyant leadership of Miss Takako Doi.

Foreign governments, which have had to wait patiently for more than a year while Japan's politicians were preoccupied with their domestic crisis, may find the next 12 months as frustrating as the last 12.

The ruling party made election promises to voters which will restrict its room for manoeuvre in trade talks, pledging repeatedly to oppose the liberalisation of the rice trade, for example. Japan could be more belligerent and less accommodating – just at the time when Washington is pressing for concessions from Tokyo in negotiations over the Structural Impediments Initiative, the bilateral talks aimed at finding ways to cut Japan's trade surplus with the US. The first signs of post-election LDP views could emerge in these talks in Tokyo this week.

Moreover, in the past, trade problems were largely settled by bureaucrats from increasingly-internationally minded ministries led by the Ministry for International Trade and Industry (Miti). The issues of the future – including further liberalisation in agriculture and reform of the distribution system – are ones which politicians cannot ignore.

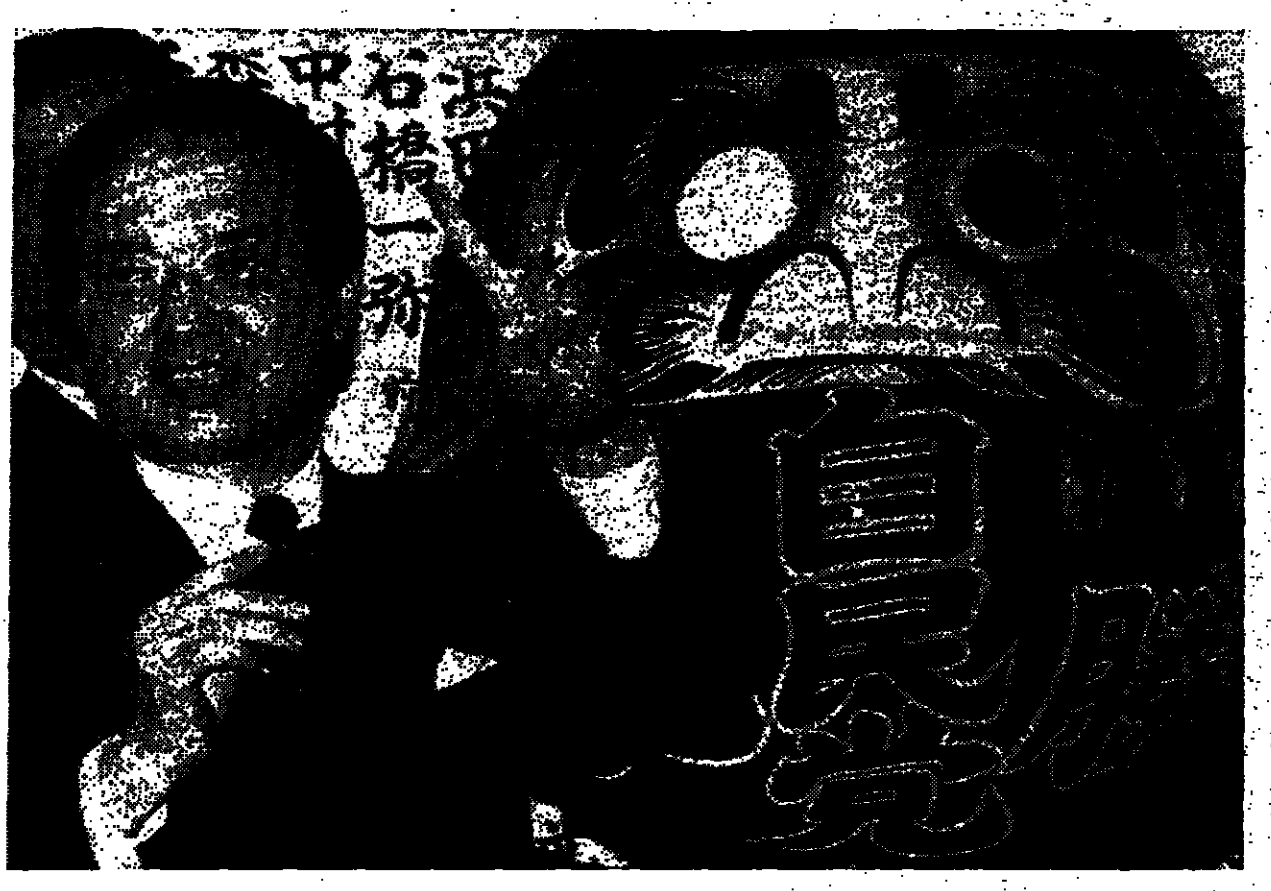
Nevertheless, the scale of the LDP's victory at least gives the party more confidence in facing these difficulties than it had before the poll. "We should make further efforts to expand domestic demand and imports," Mr Toshiki Kaifu, the Prime Minister, said yesterday.

**The ruling party made election promises which will restrict its room for manoeuvre in trade talks**

In the poll on Sunday, the LDP secured 275 seats to the 512-seat lower house – comfortably above the top of the range of most forecasts and only 20 seats short of the record 295 won by it in 1986.

The main reason for the party's success was the voters' willingness to give the LDP full credit for the peace and prosperity which they have enjoyed since the liberal democrats took office in 1955. Voters were prepared to put aside the concerns of the last two years – the Recruit scandal, unpopular moves to liberalise agricultural imports and a controversial 3 per cent consumption tax.

The LDP owed much to the inability of the opposition parties to portray themselves as a realistic alternative government. Miss Doi performed wonders on the hustings but she could not persuade her own party leaders to discard their ideological baggage. While voters were ready to accept Miss Doi as Prime Minister, according to opinion polls, the rest of her potential cabinet were beyond the pale.



Prime Minister Toshiki Kaifu dots in the eye of of a lucky 'daruma' doll after his party's victory

Moreover, the LDP made great efforts to win back public confidence – in particular by promoting a reform of the hated consumption tax and bringing new leaders into office, notably Mr Kaifu, whose youthful looks and clean image proved surprisingly popular with the public though he lacked a party power base.

In the election itself, LDP candidates fought unprecedentedly energetic campaigns to compensate for years of electoral neglect. Mr Nakasone, who was heavily implicated in the Recruit affair, toured his mountainous electoral district in Gumma, near Tokyo, bowing so low to his constituents that people said he resembled a first-time candidate. Meanwhile members of the Keidanren, the employers' federation, were so worried about the possibility of an LDP defeat that they handed over a war chest worth Y30bn – the biggest-ever – to fund the campaign. Mr Eishiro Saito, chairman of the Keidanren, said: "I'm relieved we can now see a stable political situation ahead."

All this support was more than enough for victory, given the unequal distribution of seats in Japan in favour of the countryside where the LDP is strong. It made its majority with 46 per cent of the vote, slightly down from the 49 per cent in 1986.

Not everything went the way of the LDP. Mr Sadanori Yamanaka, the 68-year-old chairman of the party's tax research committee, lost his seat because of his role in creating the consumption tax. So did Mr Hisao Horinouchi, a former agriculture minister, who paid the price for declaring last year that Mrs Thatcher apart, women were useless in politics. Altogether 40 sitting LDP members lost their seats – far more than usual – often to first-time LDP candidates competing against them in multi-seat constituencies.

The Recruit affair effected the result in a roundabout way. Only one out of six men implicated in the scandal failed to win his seat. Nevertheless, Mr Nakasone, who was in office when the events which led to the scandal took place, suffered the indignity of seeing his intra-party faction lose 10 of its 60 lower house members – the biggest defeat for any of the factions which comprise the LDP.

The Socialist Party increased its tally from 83 seats to 136, thanks to the support of many women voters who stayed loyal from the time of last year's upper house poll. Across Japan the JSP won seats in LDP strongholds which had never, or not for many years, returned a Socialist. In rural Niigata, for example, a Socialist topped the poll in the constituency once held by Mr Kakuei Tanaka, a former prime minister and the godfather of modern LDP politics. However, by fielding only 149 candidates, the most it could muster because of its organisational weakness and lack of suitable candidates emerging in time, the JSP never looked like posing a serious threat to the LDP.

Following the election, three issues top the political agenda: the LDP's internal wrangles over the party leadership, its search for political allies in the opposition camp and the future of the country's international relations.

● Within the LDP, the main issue is how long Mr Kaifu will survive as prime minister. He was chosen last summer by party elders for his clean record and youth to restore the LDP's public image. But he carries little weight inside the party because he comes from the smallest of the factions of the LDP.

The real power in the party is Mr Noboru Takeshita, himself once prime minister, who is the de facto leader of the largest faction. Mr Takeshita is under pressure from Mr Shintaro Abe, head of the second-largest faction, to smooth the way for Mr Abe, who is 65, to take office. But to dump Mr Kaifu too quickly after an election victory would be a snub to voters. So Mr Abe must wait; but he has been ill and wants his turn soon.

Moreover, Mr Abe has younger men snapping at his heels. The undoubted intra-party victor of the election was Mr Ichiro Ozawa, the 47-year-old secretary-general of the LDP. His beaming face dominated television coverage of the election count. Mr Ozawa is credited with masterminding the LDP's success, handling the crucial task of securing campaign funds from industry and then disbursing the money to candidates. Mr Ozawa and others his age will not wait for ever for Mr Takeshita's generation to retire gracefully – they may decide to seize power for themselves as Mr Takeshita once did, when he broke away from his mentor Mr Kakuei Tanaka, though it seems too early for such a shake-up.

● The party needs a strong leader to forge workable alliance with one or more opposition parties. In Mr Takeshita's view "a partial coalition" is needed – meaning that the LDP is prepared to give its partners a say in policy formation.

Despite its victory in the lower house, the LDP's Parliamentary forces are paralysed unless it finds a way of passing legislation through the upper house. It can only force through budget bills – almost anything else requires the upper house's agreement. In particular, the LDP cannot secure the passage of its planned reforms to the consumption tax as long as the opposition insists on its abolition.

Publicly, the LDP is wooing the Socialists. But Miss Doi is not interested. The ruling party is more likely to find a partner in Komeito, the centrist clean government party. Komeito, with its roots in a conservative religious movement, has always been a reluctant member of the JSP-dominated coalition of opposition parties which now controls the upper house. With Komeito's help the LDP would have an upper house majority.

● The greatest difficulties lie in handling foreign policy, especially trade relations with the US. Washington has made no secret of the fact that it wants action from Tokyo on the Structural Impediments Initiative. The Democrats intend to make US-Japan relations the heart of their campaign in the autumn mid-term elections. Republicans will press President Bush to act tough.

On the Japanese side, government bureaucrats are increasingly willing to do what they can to avoid a trade war. In the past three years, they have decided a measure of appeasement is in Japan's interest. "We used to see Miti as the enemy. Now we think they're an ally," says one senior western diplomat in Tokyo.

But the problem is that while bureaucrats can solve non-political disputes – such as a current argument between the US and Japan over American access to the Japanese satellite market – the biggest issues are increasingly political.

The LDP is not ready to start making concessions abroad, if they cost votes at home. It allowed itself to be bullied two years ago by the US into easing restrictions on imports of beef and oranges. In last year's election and in those last Sunday some of its biggest losses were in farm areas most affected by these moves. In this election the LDP has wooed the farmers' vote by swearing to maintain the ban on rice imports – even though it has already agreed to refer the issue to the Uruguay Round of Gatt.

Similarly, the party is most unlikely to support reform in the law restricting the opening of large stores and supermarkets. The small shopkeepers are the bedrock of LDP support in towns and cities – and a constituency avidly wooed by the Socialists. It will be left to Miti to try to satisfy the Americans by re-interpreting the existing regulations without offending the shopkeepers.

**The employers' federation is relieved to see 'a stable political situation ahead'**

Mr James Vaughn, director of the California Office of Trade and Investment in Tokyo, says "the LDP is going to find it more and more difficult to respond to increasing demands from the US and Europe because it is more indebted than ever to special interests which supported its campaign."

The main consolation for western governments is that dealing with a divided coalition of opposition parties, each with its own supporters to satisfy, would undoubtedly be worse. The LDP is a broad organisation with plenty of talented members able to see that Japan's best interests lie in good relations with its trade partners. But in the wake of the upheaval of the last year, these people will have to voice their opinions more carefully than they did before.

## Irish golf in Brussels

■ Members of the Wild Geese, a thriving Brussels golfing society composed mainly of expatriate Irishmen, are well aware that their popular captain, Tom O'Dwyer, is a hard man to beat.

There has therefore been much rejoicing in the 19th hole at how he has just landed the respected post of Director General at the European Commission from a tactical position which can best be described as "three down with four to play".

For some weeks now, it has been known that under the national share out of top jobs in the Brussels bureaucracy an Irish candidate would be appointed to head DG 22 – the department responsible for co-ordinating the EC's regional, social and agricultural support funds. Until virtually the last minute, however, the hot favourite had been Ireland's Ambassador in London, Andrew O'Rourke, a figure with the seemingly crucial political backing of the Irish Government.

O'Dwyer's last minute triumph – equivalent to a finishing run of straight birdies – appears to owe much to the determined support of Henning Christophersen, the Danish Commissioner responsible for his new policy area and thus a key player in internal Commission deliberations.

A long-time admirer of O'Dwyer, Christophersen is understood to have persuaded his Commission colleagues that, wherever possible, they should favour good insiders at the expense of outside nominees "parachuted in" from national capitals.

O'Dwyer is a former head of the agricultural division in Brussels which deals with animal products and, until last week, was chef de cabinet to the Irish Commissioner, Raymond MacSharry. He is also the only two times winner of the Wild Geese summer fourball competition, and has acquired an impressive collection of Waterford crystal as a result.

# OBSERVER

## Sudden move

■ Bill Stuttaford left the Framlington Group on Friday and will turn up at his new post with Brown Shipley this morning. It is his first real job change in 31 years, he says.

He has been a stockbroker most of his working life, though more recently identified with unit trusts as chairman of Framlington. Stuttaford opposed the takeover of the group by Throgmorton Trust last year, but agreed to stay on for a year. Brown Shipley approached him immediately it was known he was unhappy.

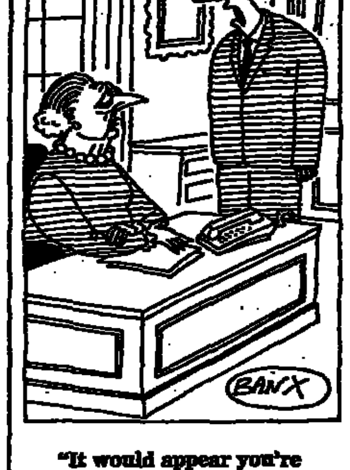
His new title is chairman of Brown Shipley Investment Management Ltd. This is perhaps the least known side of the group, but Stuttaford says that it is just about the right size for him. Brown Shipley bought four private client stockbrokers at the time of big bang and is now one of the biggest private client operators in the country. At 61, Stuttaford says he was not seeking a five year contract. He expects to retire at 65.

## Moscow warning

■ You have to choose your words carefully in Moscow these days, with all the unrest around the empire. According to the latest joke, hardly anyone refers to perestroika any more. The new "in" word is perestrelka. It means a shoot-out.

## British ways

■ An American telephoned the other day to say that Bill Morris, deputy general secretary of the Transport and General Workers Union, had delivered a speech on the need for training and that one of the pages of the text had been stapled upside down. He said it was a scandal. If anything like it had happened in an American union, the press officer or whoever was responsible would have been disciplined, not least because the carelessness would have reflected at least indirectly on the union leader, especially when he was calling for more training.




"It would appear you're isolated in the Commonwealth, Europe and the shire counties."

Since many press releases arrive in this office badly stapled, sometimes in the wrong order and occasionally with missing pages, my immediate reaction was to tell the American that this sort of thing happens all the time. He became more shocked than ever. On reflection, I think that the American was quite right to complain. That's Britain, he said. No-one objects, so no-one does anything about it.

Some things do work, however. The next day I telephoned the emergency service of London Electricity about an irritant rather than a real emergency. It was Saturday afternoon. A man came round within an hour, had the necessary parts and the problem was solved. That is the second time within months I have seen London Electricity provide exemplary service.

## Cuban channel

■ Delays are occurring in the launch of the US Government's anti-Castro television station, Tele-Marti. The project should have gone on the air in January, with signals relayed to the Havana area via a tethered balloon above the Florida Keys. The balloon suffered a mysterious leak and the US Air Force is pledged to produce another one by March.

However, the scheme has moved slowly since it was approved in 1987. It now has $32m congressional funding for the next two years, but Washington is in two minds about whether transmission could be counter-productive.

The Cubans are incensed by the prospect of a "pirate" station occupying one of their channels and have threatened not only to jam it, but to jam it so thoroughly that the effect extends to Florida. President Kennedy rejected an anti-Castro TV station in 1962.

The Cubans also point to the irony that under the long-standing economic embargo they cannot buy US television programmes, yet Washington is proposing to provide them for nothing.

## Safe choice

■ An Ohio travel agency brochure lists five tours of England. According to which they choose, participants can start each day with "breakfast", "a full breakfast", "a full English breakfast", "a hearty English breakfast" or "a legendary English breakfast". Rather like the French who insist that the only safe thing to do in England is to order breakfast for every meal.

# LETTERS

## Lessons for the UK in the Drexel collapse

*From Ms Marjorie Mowlam MP.*

Sir, Witnessing the collapse of Drexel Burnham Lambert from Washington, as I have been doing, provides some salutary comparisons with the UK.

There is general agreement among politicians and financiers in the US that the largest bankruptcy in Wall Street's history marks the end of an era in American finance. High-yield, high-risk securities should not be around in the 1990s to make possible the wave of takeovers and buyouts that have characterised the 1980s. It is hoped that a higher percentage of investment funds will now be devoted to creating assets rather than trading them. A move to equity finance rather than debt finance, it is hoped, will bring a period of stability.

There is also unspoken agreement with the regulatory bodies (the Securities and Exchange Commission and the New York Stock Exchange) that they should not have lifted a finger to help Drexel. Thankfully they did not. Most people are pleased to see the back of the junk bond merchants. As one government official said: "Our only interest was in trying to make sure the problem stayed confined to Drexel." Drexel knew the Government had no time for it. As one staff member put it: "They had no problem bailing out Poland – they could not persuade anyone to lend us $300m. That means they wanted us out of business."

Would our Conservative Government react so sensibly over the issue? If we believe John Redwood, the minister responsible, the answer is clearly "No." In the House of Commons last November he said on exactly this issue: "Junkiness is in the eye of the beholder. The question of whether people should borrow to buy things is largely a matter for them."

Many of the other concerns felt in Washington and New York in the wake of Drexel's declared bankruptcy are issues that the Labour Party has been voicing in response to the City for some time – for example, the worry over the knock-on effects of junk bonds on the rest of the market. In the US the junk bond market is trading at about $200bn nationwide and the bonds have become an important underpinning of pension plans and mutual fund investment. This short-term high-risk investment by pension funds causes concern in the US just as in the UK. Not only will individual creditors be harmed by this bankruptcy, but US government pension funds are set to lose millions of dollars.

The other major problem experienced in the wake of the collapse of the junk bond market is the thousands of people unemployed as a result. Many of these people, as with the increasing number of lay-offs in the City are not highly paid portable-phone carriers, but low-paid, part-time workers. The financial sector in the US, as in the UK, would benefit from a greater emphasis on training and retraining.

One of the contributory factors in Drexel's collapse was the exposure of alleged insider dealing. There is wide acceptance in the US that insider dealing is a serious problem which must be dealt with swiftly and at a cost to the dealer to discourage others. Compare this with Nicholas Ridley's recent evidence to the Commons Trade and Industry Select Committee in which he said that insider dealing was a minor problem, exaggerated by the press. If the British Government is serious about helping the City to compete with New York, Paris and Frankfurt as finance centre for the 1990s, there are lessons to be learnt in responsible government from the US Government and its regulatory agencies.

Marjorie Mowlam,
*Labour Party Spokesperson for City and Corporate Affairs,*
*House of Commons, SW1*

## Poland's place at the table

*From Mr Roman Slawinski.*

Sir, There were three allies at the start of the Second World War: Britain, France and Poland. Poland was the first to take up arms in defence against Nazi Germany and fought with the allies to the very end.

The fact that it was excluded from Yalta and earlier summits was a cynical betrayal by the other allied powers in an effort to appease Stalin. Poland and the rest of eastern Europe have suffered the consequences throughout the past 45 years.

Recent political changes in eastern Europe bring considerable hope of a new and happier world order. The reunification of the German nation should be a joyous part of this process. It is right that this should be done in agreement with the allied powers. But why should Poland again be excluded?

No country has a greater interest in the terms of Germany's reunification and no country has a greater moral right to participate in the proceedings. The mistakes of Yalta cannot be undone, but they must at least not be repeated. The security of central Europe could be at stake.

Roman Slawinski
*115 Park Road, W4*

## Managing Mark convertibility

*From Professor Austin Murphy.*

Sir, Because of the necessity of improving its industry and consumption, East Germany has a very large demand for hard currency such as West German D-Marks. Unfortunately, the East German export industry is not efficient enough to compete effectively in world markets and generate the needed currency. The development of such an industry may take several years.

The East German Mark is not legally convertible into D-Marks within East Germany because of the scarcity of D-Marks. In West Germany and in the black market the exchange rate between East German Marks and D-Marks is five or 10 to one.

However, research carried out in West Germany shows that the average purchasing power of the East German Mark is equal to that of the D-Mark – although the East German Mark has less purchasing power for luxury goods, it has much greater purchasing power for necessities like food and housing. This means that every East German Mark traded for less than DM 1 represents a loss to the East Germans.

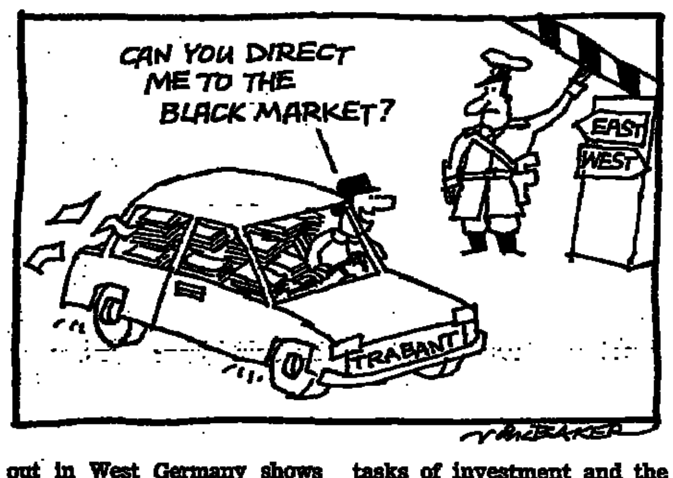
Given that East Germany is an economically poorer land than the federal republic, such losses seem unjust. In order to avoid them, East Germany could offer its citizens the opportunity to exchange newly earned East German Marks for D-Marks at 1:1.

Because of the limited supply of D-Marks held by East Germany a condition would have to be that citizens should invest 15 or so newly earned East German Marks in a savings account for every East German Mark exchanged. Money in the savings account could earn an interest rate that varied with East German exports and could be withdrawn in 10 years. As a further spur other savings accounts with even higher interest rates tied to East German national income could also be created.

These incentives to save would permit East Germany to concentrate on the important tasks of investment and the development of an export industry while postponing consumption until the excessive demand for hard currency has abated and better terms of trade can be achieved.

With an improvement in the East German economy in the next 10 years, especially in the export industries, the exchange rate between East German Marks and D-Marks could become 1:1 (or even better) in future, with lower (or even no) savings requirements.

Austin Murphy,
*Freie Universität,*
*West Berlin*




## Electricity prices could be cut

*From Mr P.E. Heathfield.*

Sir, Has the Thatcher Government really removed all the obstacles to the electricity sale? ("Selling power at any price," February 13). Mr John Wakeham, the Energy Secretary, has virtually conjured up the old Central Electricity Generating Board system out of the ashes of the new. But the Government has managed to embitter almost everyone in the process from related industries like coal and power engineering to all consumers great and small. With only a loss of face yet to go, the Government should cease behaving like the old Botha regime in South Africa and accept that the world really has changed.

Consumers, especially industrial consumers, will not accept further price increases when they know that prices could be cut. As the Electricity Council's annual report for 1988/9 shows, fuel costs fell in real terms by over 50 per cent between 1984/5 to 1988/9 which could have produced real price reductions of at least 30 per cent. The £1,050m cut in coal prices to the generators since 1980 has not been passed on.

As for obstacles, the stockbrokers will swallow hard when the European Community reminds the Government of the promises it has made to retrofit 12,000 MW with flue gas desulphurisation (FGD), instead of importing low sulphur coal. And when the EC, as it must, has assessed the real requirement for FGD or equivalent clean-up at 20,000 MW, the brokers are likely to go critical as they did over nuclear power.

P E Heathfield,
*Secretary,*
*National Union of Mineworkers*
*Holly Street,*
*Sheffield*

## Carbon tax to help the poor

*From Mr William Gillis.*

Sir, I read with interest your report of the International Energy Agency's call for a 20 per cent rise in fossil fuel prices to reduce carbon dioxide emissions ("Steep tax on carbon fuels urged," February 1).

As the national charity which promotes practical energy efficiency projects to combat fuel poverty, Neighbourhood Energy Action welcomes any measure which encourages investment in energy efficiency. A word of caution must be expressed, however, as to the effects which increases in the cost of energy will have on the elderly, single parent families, those with disabilities and other low-income households.

Such households are over-represented in poor housing with low energy efficiency standards and inefficient heating systems. In addition such groups tend to spend a greater proportion of their time at home than the rest of the population. The result is that low-income households spend a higher than average proportion of their income on energy. In 1987 the 50 per cent of households with the lowest incomes spent 10.8 per cent of their income on fuel compared with 5.8 per cent for the population as a whole.

In addition low-income households seldom have the finance to make the necessary investment in energy efficiency measures. What is required is a comprehensive, publicly funded programme of energy efficiency improvements for low-income households and an increase in income support to enable the fuel-poor to heat their homes to a level conducive to good health.

This provision of affordable warmth could be funded from the proceeds of a "carbon tax." What politician could resist a policy which has a positive impact on the environment, social benefits, improves the housing stock and is self-financing? It is vital that the fuel-poor are not forgotten in the debate about energy pricing.

William Gillis,
*Deputy Director,*
*Neighbourhood Energy Action,*
*2/4 Bigg Market,*
*Newcastle upon Tyne*

## Pension funds and bankruptcy

*From Mr Mark Griffiths.*

Sir, The effects of Schedule 3 of the Social Security Bill on unincorporated businesses which provide pensions for their staff are bizarre. If such a business should have to wind up its staff pension fund at any time after the bill is enacted, its owners may be forced into personal bankruptcy by having to make additional payments into that fund for benefits which were never promised.

Under the proposed new Section 58B(5) of the Pensions Act that would appear to be the case even if the business has long ceased to trade in an unincorporated form and been replaced by a limited company. It would seem that as a result of this legislation a new liability may attach to former principals and their assets even though the pension fund for which they are liable was only established after they retired, or after their business was incorporated.

Thus the level of its funding may have been totally outside the control of those who are to be made individually liable for any deficiency in the fund which is created by the statute.

It would, therefore, appear that the only safe course is for any pension fund run by a business which has ever traded in an unincorporated form to be wound up before the bill becomes law and to ensure that no new fund is established in its place – but that may well be outside the control of those to be placed at risk.

As with so much pensions legislation the effect is to place an unfair burden on good employers rather than to improve the pension provision made by bad employers. The only possible escape is to join the ranks of the bad employers, and even that course will not be open to former principals who have themselves retired.

Mark Griffiths,
*Griffiths & Armour,*
*Drury House,*
*19 Water Street,*
*Liverpool*

## Realistic fees for auditors

*From Mr Martin Walford.*

Sir, Following the decision in Caparo v Touche Ross can it now safely be assumed, with the clarification of the very limited responsibility of auditors, that their fees will be reduced appropriately to more realistic levels.

Martin K. Walford,
*16 Bedford Street,*
*Covent Garden, WC2*

## Japanese house prices a red herring in the trade surplus debate

*From Mr James Bourlet.*

Sir, Mr Vladi Catto, of Texas Instruments, (Letters, February 12) urges lower house prices in Japan as a means of stimulating demand for consumer durables and thus imports in order to reduce Japan's trade surplus.

Before one accepts this attractive line of thought, one should surely question his logic.

House prices are a matter of distribution of benefits rather than overall income level. Currently those owning houses, drawing rents or drawing interest from home loans use their money to buy many things – including imports. In so far as lower house prices might redistribute income in favour of new entrants to the housing market, the ability to buy imports will simply rise for that group and fall for current receivers of property-based income.

It is assumed that somewhat lower house prices will lead the Japanese to occupy larger accommodation units. What evidence is there for this?

Japanese typically occupy accommodation which we would call cramped even in those cities where land costs are a fraction of Tokyo prices. The current trend in Tokyo is for people to trade up to a more central location rather than to a larger home. Thus, if they can afford it, they end up moving into smaller rather than larger homes.

Property prices in Japan have surged during recent years and have sparked off a big rise in the purchase of imports as home owners feel able to borrow against their wealth to purchase Jaguars and BMWs. The British Government, meanwhile, is trying to depress house prices as a means of curtailing demand and imports. So how would lower house prices in Japan help?

Japan's high property prices predate its large trade surpluses by many years and, indeed, were a fact when Japan had trade deficits.

Looking at the world as a whole one sees no obvious correlation between high property prices and trade surpluses.

These points lead me to suggest that property prices are a total red herring to the trade surplus debate and that international capital movements, exchange rate levels, low industrial costs of capital and industrial diligence are far more plausible explanatory factors.

James Bourlet,
*Secretary,*
*Economic Research Council,*
*Benchmark House,*
*86 Newman Street, W1*

*FOREIGN AFFAIRS*

# What did you do for Hong Kong, Daddy?

### Edward Mortimer argues that Britain should insist on guarantees of the freedom of the people of Hong Kong after 1997

Not long ago, Hong Kong used to be described as "exhilarating" by people who went there. They made it sound rather like New York, only more exotic, more frenetic, more miraculous.

Then a date began to darken the picture: 1997, the end of the lease. The lease was only on the "new territories," not on Hong Kong island itself or the adjacent Kowloon peninsula which had been ceded to Britain "in perpetuity;" and none of these arrangements was recognised as valid by China anyway.

Yet it was assumed, by that part of the British establishment which considered the matter, that in 1997 time would be up. China would not renew the lease. Hong Kong without the New Territories would not be "viable." So it would all have to be given back: it was just a matter of making the best terms possible for the inhabitants.

Which is what Mrs Thatcher and Sir Geoffrey Howe did in the Peking Joint Declaration of 1984. Luckily by then China was far advanced down a road of "reform" which seemed to permit a renaissance of capitalism, behind a ritual mutter of continued lip-service to communism, albeit leaving political power firmly in the hands of the Communist Party.

The man in charge, Deng Xiaoping, was famous for his view that a cat could be black or white so long as it caught mice, and clever enough to notice that more mice were caught in Hong Kong than anywhere in his own domain. He did not (changing the metaphor) wish to "kill the goose that laid the golden eggs." He would be anxious, once Chinese sovereignty was recognised, to safeguard "Hong Kong's unique lifestyle" (as it is often called). There would be "One Country, Two Systems." It sounded good.

I have never been to Hong Kong, and until now have not considered it "my subject." For me, it used to arise mainly in discussion with Spanish diplomats. They were unhappy about the principle applied by Mrs Thatcher in the Falklands, and in Gibraltar, that the wishes of the inhabitants must be paramount – otherwise known as the principle of self-determination. It was not really fair, they suggested, to apply this principle to small populations of "camp followers" in colonial enclaves or offshore islands, which clearly belonged by right of history and geography to the adjacent mainland.

"What is more," they said, "the British Government clearly understands this. It has made no attempt to apply the principle to the much larger population of Hong Kong. The difference is that you are afraid of China, whereas you could defeat Argentina in a war; and you know that we in Spain would not attempt to seize Gibraltar by force."

This argument made me uncomfortable, and I cast around for an answer. "No," I said. "The difference is that the people of Hong Kong are Chinese, and have never claimed to be anything else. They do not claim to be British, nor do they seek independence; and if they are Chinese, then in the end they must accept their destiny as part of China, sharing the same government with the rest of China's population."

I also thought that Britain should introduce as much democracy as possible into Hong Kong and as soon as possible. Mr Deng's China, it seemed, was keen to attract western trade and investment and to improve its international reputation. When it took over Hong Kong it would have the eyes of the world upon it. Surely, if it found a functioning democracy in place it would not be so foolish as to crush it.

I lived more or less happily with that answer until last year. Then it turned out that Mr Deng was not quite so blind to the colour of cats as we had thought. Cats that caught mice produced kittens of a new colour, which dazzled Mr Deng. He felt obliged to drown them, even if that meant fewer mice in future. He did not care much about his international reputation, and he did not expect western trade and investment to be much affected. Unfortunately, he was right.

The kittens of Hong Kong turned out also to be of an uncomfortably bright colour, very similar to that of their cousins in Peking. They foresaw that Mr Deng or his successors might drown them too, come 1997; and they began to miaow pitifully.

Mr Deng did nothing to calm their fears. On the contrary, he condemned them as "subversive." He insisted on the right to station his army (the same army that had carried out the Tiananmen massacre) in Hong Kong after 1997. And now he has amended the draft Basic Law for Hong Kong so as to outlaw "subversion" and links with foreign pressure groups.

> **When the tragedy of 1997 happens, our children will want to know why this terrible betrayal was allowed**

The British Government, meanwhile, has given up any idea of trying to shame Peking into respecting a functioning democracy, arguing instead that only "convergence" between British rule before 1997 and what China is prepared to do after 1997 offers any hope of a smooth transition.

Very late in the day, and helped by a powerful pamphlet from my friend William Shawcross*, I have been obliged to think seriously about the people of Hong Kong as individuals, and to contemplate what Britain has agreed to do with them.

Most of them are refugees, or children of refugees, from communism. Britain is proposing to hand them over to a communist government, just as it handed back the cossacks and other Soviet prisoners of war to Stalin in 1945. That is now considered to have been at best a terrible mistake, at worst a heinous crime, only partially excusable on the grounds that Stalin was our ally and that it was not clear in advance how ruthless he would be. But today we are not at war; China is not our ally; and that the present Chinese regime is not much less ruthless than Stalin is plain for all to see.

It is, I think, no longer a subject that British public opinion can leave to specialists or experts. When the tragedy of 1997 has happened, our children will want to know why this terrible betrayal was allowed, and what each one of us did to try and avert it. It is high time Britain asserted the same right of self-determination for the people of Hong Kong as for those of the Falklands and Gibraltar – and indeed of Belize, the independence of which it secured in the teeth of bitter hostility from Guatemala, initially supported by most of Latin America.

The Joint Declaration, by the insistence of the Chinese themselves, is not a binding treaty. Britain should state that it will not be implemented unless China can give convincing guarantees of the safety and freedom of the people of Hong Kong after 1997. Then at least we would have a bargaining position instead of being obliged to "converge" on whatever position China adopts. And in the last resort, if we cannot deny China the recovery of the territory, we should ask the rest of the world to join us in offering asylum to those of the inhabitants who wish to escape.

Or do we wait until the people of Hong Kong, instead of being the grudging recipients of Vietnamese boat people, become boat people themselves?

**Kowtow! (Chatto Counter-Blasts No.6, £2.99.)*

FINANCIAL TIMES
Tuesday February 20 1990



# The Airbus flies blind in an Indian mist

## Delhi's silence about crash has fuelled misguided speculation, writes **Paul Betts**


**The Airbus A320 aircraft can land automatically like other modern airliners if an airport is equipped with the necessary instrument landing system (ILS). This broadcasts radio beams to an incoming aircraft to tell its instruments the flight path. The runway in Bangalore used by the Airbus which crashed did not have such a system. This suggests it was being flown manually. One *of the main technological features of the A320 is its* "fly-by-wire" system of flying the aircraft with sidestick controllers in the cockpit. In fly-by-wire, computers and electronic wires replace mechanical cables as the link between pilots and control-surfaces in the wings and tails. The A320 has five main fly-by-wire computers. Airbus says fly-by-wire prevents the aircraft from stalling, *flying too fast, or manoeuvring* violently.**

THE developing controversy in India over the crash of an Indian Airlines Airbus A-320 twin-engine 150-seat airliner at Bangalore last Thursday could not have come at a more delicate time for the European aircraft manufacturing consortium.

Airbus already has its hands full with the 16-week strike at British Aerospace's Chester plant which is threatening to bring assembly of the aircraft in France to a complete standstill.

It is inevitable that the crash of an A-320 at Habsheim in northern France last year during a demonstration flight at an air show is being recalled. It was at first alleged that the *aircraft's new "fly-by-wire"* system, whereby computers and electronic wires replace the traditional mechanical cables to activate the control surfaces in the wings and the tail of the aircraft, contributed to the accident. However, the official accident report blamed the pilot for flying too low and too slowly.

The Indian authorities have so far not given any indication of the possible causes of the Bangalore accident, although the digital flight deck recorder and cockpit voice recorder have been recovered and are being analysed.

Airbus and the French accident investigation authorities have been given no access to even preliminary indications of the contents of the two recorders, the so-called "black boxes", which could shed light on the events in the flight deck *in the last few moments before* the accident.

Airbus said yesterday the Indian authorities had already listened to the cockpit voice recorder and that the digital flight recorder had been sent to Canada to be deciphered, since India does not have the equipment to read this recording instrument.

Until this information is available, it would be wrong to speculate on the causes of the Bangalore crash, try to couple it with the A-320 crash in France last year, or even suggest that some malfunction of the aircraft's complex computerised flight control system might be involved.

Although India has grounded the entire A-320 fleet operated by Indian Airlines and has also announced it was suspending taking delivery of A-320s on order, carriers elsewhere in the world have continued to operate the airliner. British Airways, for example, said its seven A-320s were operating normally. It said there was no evidence to suggest any change in their operating pattern.

The French pilots union called for the grounding of French A-320 aircraft operated by Air France and Air Inter, but the French civil aviation authorities said there was nothing to lead them to take such a precaution at this stage.

Nevertheless, speculation on the causes of the accident is bound to persist until the results of the examination of the technical evidence are known. Airbus and the French *accident investigation authorities* were clearly frustrated yesterday at the apparent lack of support from the Indian authorities to share the technical evidence they had so far gleaned from the voice recorder.

The Indian civil aviation minister's decision to ground the aircraft has severely disrupted *Indian* airline services. There has also been criticism from Indian pilots, engineers and air travellers over the *inadequacy of ground facilities* in India to handle an aircraft as sophisticated as the A-320.

Indian pilots have complained of lack of flight support and maintenance at Indian airports, none of which has a fully equipped instrument landing system to enable automatic landing of aircraft.

One pilot said yesterday: "We are not geared to accept such a sophisticated aircraft." But pilots have also complained of frequent operational snags, including two cases of pressurisation failure, hydraulic failure and failure of the *auxiliary power units.*

Airbus, however, insisted yesterday that there was "no evidence of any technical malfunction that could have contributed to the accident" in which 90 people died when the A-320 crashed on landing. It added that the high technology systems on the aircraft made the A-320 both easier to fly and safer.

The aircraft has been an outstanding commercial success for Airbus with 530 orders to *date and 77 aircraft in service.*

# E Europe's aircraft market put at $18bn

**By Paul Abrahams** in Paris

THE MARKET for new aircraft in eastern and central Europe over the next 10 years could be worth as much as $18bn, according to Mr Garret FitzGerald, a member of the board of GPA, the Shannon-based leasing company.

At a conference on east-west aviation in Paris, organised by Airline Business magazine, Mr FitzGerald, the former Irish Prime Minister, said he estimated that airlines in the region would have to replace *about 90 per cent of their fleets* over the next decade.

They at present have about 250 aircraft. Fleet replacement would mean purchase of about 150 aircraft, Mr FitzGerald said, because modern jets have more capacity and range than older aircraft and spend less time on the ground.

However, he said, if demand grew by 10 per cent a year *until the end of the decade as* expected, airlines in eastern and central Europe, excluding the Soviet Union, would need *additional* aircraft, making a total of 300-450 aircraft.

At the same conference, Mr Karel van Miert, the European Transport Commissioner, said negotiations to allow airlines based in the European Community and the European Free Trade Association to fly freely within each other's territories had been brought forward from June to March.

An agreement with Efta countries – Norway, Sweden, Finland, Iceland, Switzerland and Austria – could be concluded in the summer.

Mr van Miert said the framework existed for the countries to negotiate separately or within the context of Efta.

It was in consumers' interests that European airlines should operate in an environment where government interference was limited and where a multilateral framework replaced the traditional bilateral system.

He expected the aviation situation in East Germany to develop as fast as the political situation.

# Tougher US stance on Japan

*Continued from Page 1*

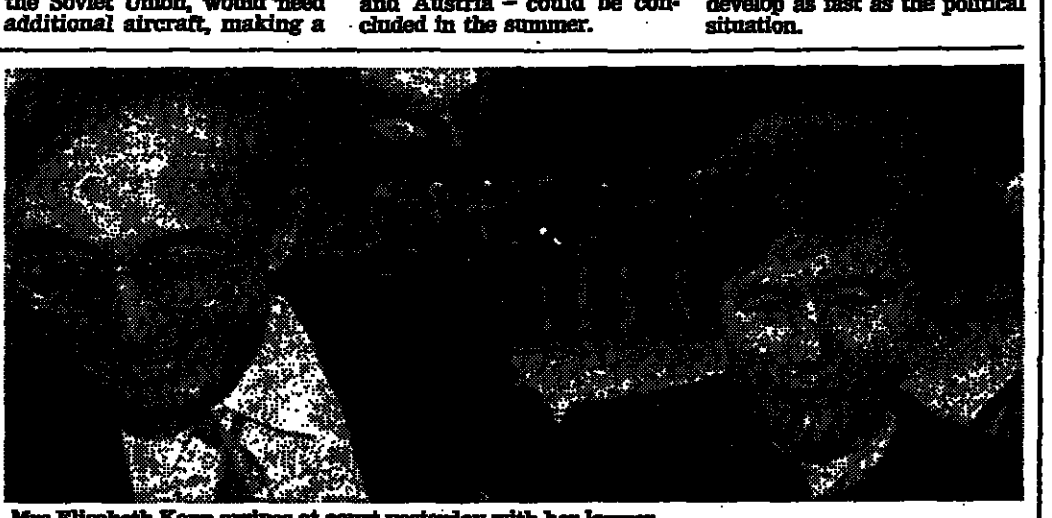
siasm in Washington for a Japanese plan to introduce an import-boosting tax system. But it could go some way to soften criticism of Japanese inflexibility, particularly the refusal to open the country's highly protected rice market to foreign imports.

● The LDP won 275 of the *512 seats in the lower house of* the Diet (parliament). This is more than the 271 needed to achieve what is known as a *stable majority in which the* party can control all the standing committees. It has also accepted 11 independents into its ranks, so that its total strength is only marginally lower than the 295 at dissolution.

The Japan Socialist Party, the largest opposition group, won 136 seats compared with 85 in 1986, and raised its vote share from 17.2 per cent to 24.4 per cent.

The LDP victory was welcomed by the business community, which had been worried about the prospect of a socialist government. However, business leaders were quick to express their impatience with the LDP's corrupt ways and to demand that it proceed with political and electoral reforms as quickly as possible.

Because it lost its majority in the upper house in elections last July, the LDP has been trying to persuade one of the opposition parties to join in a coalition. Unless it does so, it will have to seek agreement with opposition parties on a legislative programme. This is expected to be very difficult.



*Mrs Elisabeth Kopp arrives at court yesterday with her lawyer*

# Kopp case casts light into some dark Swiss corners

**By William Dullforce** in Geneva

THE TRIAL of Mrs Elisabeth Kopp, former *Justice Minister* and the first woman to hold a Swiss cabinet post, opened in Lausanne yesterday as the Government faced a *fresh* public outcry over the disclosure of secret files on Swiss and foreign citizens held in her former department.

Many of the files have not been updated since the 1970s and reflect the fear of Communist penetration prevalent in the 1950s and 1960s within the Swiss ruling establishment. The files were subjected to no parliamentary or, seemingly, government control. Their existence was unknown to the public.

Against this background the trial of Mrs Kopp and her two assistants assumes a symbolic importance, which many commentators consider may be prejudicial.

Mr Joseph-Daniel Piller, the prosecutor specially appointed *by the Swiss parliament,* charged Mrs Kopp and two of her former officials before the Federal Tribunal (supreme *court) with violating Switzerland's* official secrets act.

In a telephone call, Mrs Kopp warned her lawyer husband Hans that Shakarchi Trading, a Zurich-based company of which he was vice-president, was involved in an investigation into alleged laundering of "dirty money" from the international drugs traffic. He immediately resigned from the company.

Mrs Kopp later claimed that she did not know that the *information passed to her by* her personal assistant emanated from within her ministry. The Federal Tribunal has *to decide only whether she* knowingly broke official secrecy in warning her husband.

The charge for which she is *being tried, after parliament* lifted her immunity, carries a fine of up to SFr40,000 ($27,000), or up to *three years* in prison. The verdict is expected on Friday or Saturday.

The forced resignation of Mrs Kopp in January last year led to a series of disclosures and allegations of official laxity in combating drugs trafficking that shocked public opinion and shook the staid Swiss political establishment.

In March the federal public prosecutor was forced to resign and work on a new bill against money laundering was speeded up.

In November a parliamentary commission recommended a complete reorganisation of the public prosecutor's office *and revealed the existence of* secret police files containing 900,000 cards, of which two-thirds concerned foreigners.

## WORLD WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 16 | 61 | Dubrovnik | S | 14 | 57 | Malta | F | 16 | 61 | Rhodes | S | 14 | 57 |
| Algiers | S | 19 | 66 | Edinburgh | C | 11 | 52 | Manchester | R | 11 | 52 | Rio de J'o | – | – | – |
| Amsterdam | S | 14 | 57 | Faro | S | 18 | 64 | Manila | – | – | – | Rome | F | 15 | 59 |
| Athens | S | 13 | 55 | Florence | S | 16 | 61 | Melbourne | S | 22 | 72 | Salzburg | F | 11 | 52 |
| Bahrain | S | 24 | 75 | Frankfurt | F | 12 | 54 | Mexico City | – | – | – | San Francisco | S | 4 | 39 |
| Bangkok | – | – | – | Funchal | S | 19 | 66 | Miami | S | 22 | 72 | Seoul | R | 6 | 43 |
| Barcelona | F | 14 | 57 | Geneva | C | 13 | 55 | Milan | F | 11 | 52 | Singapore | F | 32 | 90 |
| Beirut | – | – | – | Gibraltar | S | 17 | 63 | Montreal | C | -4 | 25 | Stockholm | C | 5 | 41 |
| Belfast | C | 9 | 48 | Glasgow | C | 10 | 50 | Moscow | Sn | -5 | 23 | Strasbourg | C | 12 | 54 |
| Belgrade | S | 13 | 55 | Guernsey | C | 10 | 50 | Munich | S | 14 | 57 | Sydney | F | 25 | 77 |
| Berlin | S | 12 | 54 | Helsinki | Sn | -3 | 27 | Nairobi | – | – | – | Taipei | – | – | – |
| Biarritz | S | 20 | 68 | H. Kong | F | 23 | 73 | Naples | C | 16 | 61 | Tangier | S | 18 | 64 |
| Bombay | S | 25 | 77 | Innsbruck | F | 6 | 43 | Nassau | – | – | – | Tel Aviv | F | 13 | 55 |
| Bordeaux | F | 18 | 64 | Inverness | R | 8 | 46 | New Delhi | C | 15 | 59 | Tenerife | S | 21 | 70 |
| Brussels | F | 13 | 55 | Islamabad | – | – | – | New York | C | 4 | 39 | Tokyo | R | 9 | 48 |
| Budapest | S | 13 | 55 | Istanbul | S | 8 | 46 | Nice | S | 17 | 63 | Toronto | C | -1 | 30 |
| B. Aires | – | – | – | Jakarta | – | – | – | Nicosia | S | 15 | 59 | Tunis | S | 18 | 64 |
| Cairo | F | 16 | 61 | Jersey | C | 11 | 52 | Oporto | C | 15 | 59 | Valencia | S | 15 | 59 |
| Cape Town | F | 23 | 73 | Jo'burg | S | 27 | 81 | Oslo | C | 5 | 41 | Venice | C | 2 | 36 |
| Caracas | – | – | – | Lima | – | – | – | Paris | F | 13 | 55 | Vienna | S | 11 | 52 |
| Casablanca | S | 18 | 64 | Lisbon | C | 16 | 61 | Peking | C | 4 | 39 | Warsaw | F | 9 | 48 |
| Chicago | S | -7 | 19 | London | C | 12 | 54 | Prague | S | 12 | 54 | Washington | C | 7 | 45 |
| Cologne | F | 13 | 55 | Los Angeles | S | 8 | 46 | Reykjavik | F | -1 | 30 | Zurich | S | 12 | 54 |
| Copenhagen | – | – | – | Luxembourg | C | 10 | 50 | | | | | | | | |
| Corfu | S | 15 | 59 | Madrid | C | 9 | 48 | | | | | | | | |
| Dallas | Dr | 9 | 48 | Majorca | F | 16 | 61 | | | | | | | | |
| Dublin | R | 11 | 52 | Malaga | S | 17 | 63 | | | | | | | | |

*Readings at mid-day yesterday*

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Swedish PM's deadline

SWEDEN'S parliamentary Speaker yesterday gave Mr Ingvar Carlsson, the caretaker Prime Minister, until today to try to form a new government in an attempt to break the country's political impasse, writes Robert Taylor from Stockholm.

Mr Carlsson's minority Social Democratic administration resigned last Thursday after being defeated in parliament over its proposed two-year wage freeze. The two main non-Socialist opposition parties are demanding an early election, but Mr Carlsson said yesterday that he did not believe a new parliament would be better *able* to deal with the country's economic crisis.

The leader of the tiny Centre Party, Mr Olof Johansson, said he wanted to see a broad-based coalition government which would include the Social Democrats in alliance with the three main non-Socialist parties, but Mr Carlsson argued that such *a government* was only appropriate during wartime.

The Swedish stock market reacted relatively calmly to events yesterday.

# Kaunda urges ANC to suspend armed struggle

**By Patti Waldmeir** in Lusaka

PRESIDENT Kenneth Kaunda of Zambia yesterday urged the African National Congress to *suspend its armed struggle* against apartheid, but ruled out an early easing of sanctions against South Africa.

The immediate suspension of military operations by the ANC would encourage Pretoria along the path to political reform, Mr Kaunda said in an interview with the Financial Times. He said he hoped a ceasefire would be agreed at a planned meeting between ANC leaders and President F. W. de Klerk, of South Africa. No date has yet been set for that meeting.

The ANC has made clear it would be willing to negotiate such a suspension, but only after the Government has met preconditions including the release of all political prisoners, lifting the three-year state of emergency, and repeal of "repressive" legislation.

Mr Kaunda said he believed the ANC should act first to suspend violence, and this would help Mr de Klerk to meet the other stated conditions.

The Zambian leader praised Mr de Klerk, whom he met for the first time in August last year, saying he was very impressed by political changes implemented since Mr de Klerk *took over as President* in September. "His heart is in the right place," Mr Kaunda commented, adding that Mr de *Klerk's leadership offered the* best chance in years of a solution to South Africa's problems.

But Mr Kaunda took a tough line on the issue of sanctions against Pretoria, arguing that no sanctions should be lifted until all basic apartheid legislation – including laws governing residential segregation – had been abolished. Mr de Klerk had until June 30 this year to do so, to avoid further sanctions, Mr Kaunda said.

*He criticised Mrs Margaret* Thatcher, Britain's Prime Minister, for her decision to argue for an easing of some sanctions following the release of Mr Nelson Mandela, the ANC leader.

"Mrs Thatcher's problem is that she has not understood the feelings of the black man in Africa," Mr Kaunda said.

*President de Klerk's office* announced yesterday that he would be meeting President Mobutu Sese Seko of Zaire and other southern African leaders in Goma, eastern Zaire, on Saturday.

It was not known, however, which other leaders would be attending, and it is possible that Mr Mobutu's proposal is a unilateral initiative which does not have the backing of all the presidents of the region.

*UK faces isolation, Page 2*

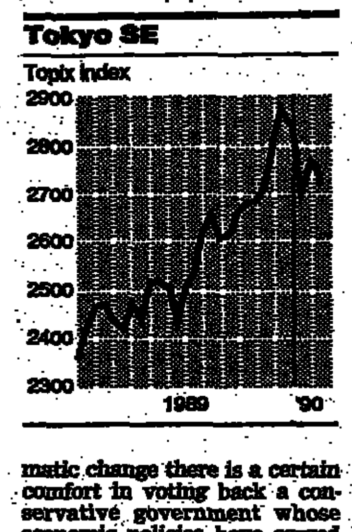
THE LEX COLUMN

# Still no release from bonds

A curious aspect of yesterday's downward lurch in world markets was that Wall Street was closed for the day. It would seem that in the context of such novel influences as Japanese election results and the collapse of Comecon, the US is no longer needed as a pointer. Once again, the principal culprit yesterday was the German bond market, which after the relative calm of last week abruptly fell by more than a point and a half to yield some 8.8 per cent at the long end. Very little trading was done in the bonds themselves: but in a recent and worrying trend, huge business was done in the more speculative and liquid market of London futures.

The upward pressure on other European bond yields is becoming a matter for concern. Within West Germany itself, *high yields will partly reflect* expected demand for capital, which need not be at odds with explosive growth caused by *reconstruction. But in France,* for instance, yields of almost 11 per cent combined with inflation of 3 per cent risk must eventually bring the risk of recession. And in the UK, with yields only a point higher than in France and the inflation rate double, the choice may once again be posed between higher rates and a sliding currency.

It is not even clear that the worst is over. The June Euro D-Mark future is discounting a rate of 9.4 per cent, a full point higher than the spot rate. The flattening of the yield curve seems to be happening the wrong way round: not with a *fall at the short end as monetary* tightness takes effect, but with a further rise in long rates as the market loses confidence in its ability to predict the longer-term inflationary future. If this duly feeds back into short rates again, the chances of a recession may be higher than the market now allows for.




## Japan

The return of Japan's Liberal Democrats with a slimmed down but comfortable majority suggests that while the country's prime ministers may *come and go, the shape of its* governments changes little. Given the uncertainties thrown up by the collapse of eastern *Europe, Tiananmen Square* and the Soviet Union's own escalating financial problems, the fact that Japan has opted for the status quo provides a welcome element of stability. There are plenty of imperfections in its current political system; but in a period of dramatic change there is a *certain* comfort in voting back a conservative government whose economic policies have served the *country* well.

But though Japan's political uncertainties have been resolved, the future direction of the yen remains the big *unknown for the financial markets.* Japan boasts the world's biggest current account surplus, yet its currency has been far weaker than sterling. *Last* year the yen fell by 24 per cent against the D-Mark and 17 per cent against the dollar. Japan has increased its official discount rate three times in the last year and another rise seems a near certainty.

Nevertheless, as long as its money supply continues to grow at twice the rate of West Germany and three times that of the US, it is hard to see the yen behaving like a strong currency. Japan will need to raise interest rates sharply if it wants to snuff out speculation against the yen. There is no reason why this weekend's *election should change its* intentions on this score.

## Pension funds

Corporate UK's current results season shows every sign of throwing up some unusually thorny issues for *investment analysts.* Perhaps the most perplexing will stem from the fact that most company results will only now *start showing the impact of* SSAP 24, the new rules for accounting for pension costs. According to Warburg Securities, *SSAP 24 could alter by* between five and 10 per cent the reported profits of some UK engineering companies. Equally important is the SSAP's new requirement to show the scale of any actuarial surplus: at Smiths Industries, for instance, the £82m surplus is 13 per cent of its market capitalisation.

The problem for investment analysts is that while SSAP 24 may suit auditors, it is not obvious just how investors should react. In 1985 and 1986, the first flush of announcements of pension contribution holidays from Grand Metropolitan, Lucas Industries and TI saw their share prices respond with striking outperformance. What was less clear was what the market was reacting to. Was it changes in reported earnings, or the better cash flow, and over how long a term?

It seems likely that if new information about pension costs is to have a lasting *impact on share prices,* it must show some long-term changes in the company's expected cash *flow.* This is where SSAP 24 will *not make* things much clearer, since it lays down no guidelines at all for actuarial valuation of surpluses. Glaxo's pension *fund* valuation assumes pensions rising by 6 per cent annually and dividends by 4 per cent; Smiths Industries assumes pensions growing at 4 per cent and dividends rising at 4.5 per cent. The variations sound small, but the magic of compound interest means they can make a big difference.

## Country funds

Financial markets are as prone to fashion as any teenager. Leveraged buyouts may have gone the way of the Bay City Rollers and Rick Astley, *but scarcely a day goes by* without a new country fund being launched on the UK stock market. When a fund concentrates on a south-east Asian or Latin-American country (such as yesterday's Chile fund from Barings), it at least offers investors exposure to an otherwise inaccessible market. As long as investors are made aware of the very sizeable risks, there is no harm done.

But when the funds cover areas with well-developed *stock markets, such as Europe,* the attractions to investors on flotation are much more doubtful. Although some Germany *funds have recently gone to a* premium, that represents a triumph of hype over experience. Supply will quickly exhaust *demand; and the more liquid* the underlying stock market, the more likely that arbitrage will eliminate any initial premium. The wise will ignore the prospectuses and wait for the funds to fall back to the investment trust sector's conventional discount to net assets.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 20 1990





## INSIDE

### Perstorp paints a profitable picture

Perstorp is making a nifty profit out of obscure products that have escaped the attention of the chemicals giants. The Swedish group, headed by chemical engineer Karl-Erik Sahlberg (left), manufactures highly-specialised chemicals used in everyday items such as paint and furniture. By selecting its product niches with care and paying special attention to marketing, the company has almost doubled its sales over the past five years. Peter Marsh reports on a family-controlled group with a relaxed approach to business. Page 24

### Investing in the future

Roll up, roll up. Come and make a profit on the world's emerging stock markets — at least, that's how institutional investors rushing to find a footing in developing countries hope the refrain goes. But which country will be the best bet? Chile, or possibly Vietnam in the very distant future, according to a view put forward at a recent conference in London. Deborah Hargreaves reports. Page 26

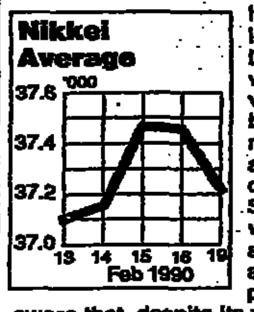
### Going, going, gone?


"For sale: going concern, with solid customer base." Four Israeli banks are going under the hammer. After months of false starts, the Government is finally going to dispose of its majority shareholdings in Bank Hapoalim, Bank Leumi, Israel Discount Bank and Bank Mizrahi. Page 25

### When a shield becomes a sword

The financial world is getting smaller all the time but, unfortunately, not always better. As US investors increasingly diversify their equity portfolios into foreign markets, regulations that ostensibly protect American investors may do precisely the opposite. US investment institutions claim that over-cautious interpretations of the Securities Act of 1933, in some cases may suit the tactical objectives of the companies involved and have little to do with investor protection. They warn that the shield too often becomes a sword. Stephen Fidler reports. Page 33

### Markets miss the celebration




It's streamers and balloons for Japan's Liberal Democratic Party, which won a resounding poll victory at the weekend, but not so for the Tokyo markets. They defied analysts' hopes that a decisive LDP victory in Sunday's elections would clear the path for a recovery of the yen and bond and equity prices. Investors are aware that, despite its victory, the LDP will still face rough sailing with its legislative programme. Page 46

### Market Statistics



### Companies in this section



### Chief price changes yesterday

**FRANKFURT (DM)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | BSN | 715 | − | 11 |
| Didier-Werke | 248 | + | 10 | Cetelem | 490 | − | 18 |
| Leifheit | 683 | + | 3 | Ocean | 330 | − | 10 |
| **Falls** | | | | Valeo | 669 | − | 11 |
| Brown Boveri | 605 | − | 25 | **TOKYO (Yen)** | | | |
| Horten | 328 | − | 8 | **Rises** | | | |
| Porsche | 1000 | − | 10 | Hit. Tenisica | 1080 | + | 89 |
| **PARIS (FFr)** | | | | Tokyo R. Spin. | 1170 | + | 110 |
| **Rises** | | | | Tatsumura Gumi | 1850 | + | 150 |
| Redoute | 3175 | + | 118 | Toyo Tak. Batt. | 899 | + | 63 |
| **Falls** | | | | **Falls** | | | |
| Accor | 853 | − | 4 | Mitsui Petro. | 1540 | − | 130 |
| | | | | Nihon Kentetsu | 2760 | − | 240 |

New York closed.

**LONDON (Pence)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | Burton | 185 | − | 6 |
| Amcliffe | 153 | + | 8 | Cadbury Sch. | 331 | − | 8 |
| Eng China Clays | 373 | + | 8 | Christies Int. | 324 | − | 5 |
| Eurotunnel | 573 | + | 10 | French connect | 48 | − | 12 |
| Leigh Interests | 372 | + | 6 | Glaxo | 726 | − | 17 |
| T.I.P. Europe | 211 | + | 10 | ICI | 1054 | − | 14 |
| Trans Wrld comm. | 445 | + | 7 | Reuters | 1046 | − | 19 |
| **Falls** | | | | RHM | 410 | − | 6 |
| ASDA | 111 | − | 2 | Sock Shop | 34 | − | 7 |
| Brit Aerospace | 510 | − | 14 | Unilever | 647 | − | 8 |
| Brit Telecom | 302 | − | 4½ | Wimpey (G.) | 240 | − | 7 |

# Mondadori chief attacks management record under De Benedetti

By Haig Simonian in Milan

MR SILVIO Berlusconi, the new president of Mondadori, Italy's biggest publishing group, yesterday revealed that 1989 operating profits before tax fell to L160bn ($129m) from L219bn in 1988. He maintained that this reflected poor management when the group was under the control of Mr Carlo De Benedetti.

Mr Berlusconi's comments were another volley in the continuing struggle between the two men for control of the Italian publishing group. He firmly rejected rumours of financial difficulties at his own Fininvest Group, while dismissing Mr De Benedetti's current legal action to re-establish sway over Mondadori as little more than "window dressing."

In his scathing attack on last year's results, Mr Berlusconi charged that against a budgeted L110bn in profits for 1990, the actual result could sink to L70bn. Much of the group's problems had stemmed from over-ambitious expansion and acquisitions, as well as an apparently incoherent management strategy, he suggested.

However, Mr Berlusconi stressed that Mondadori was not facing a cash crisis and rejected calls by Mr De Benedetti for a capital increase.

Low borrowings and a high level of self-financing, combined with the L200bn sale of its cartographic division, meant that the company had no need for additional funds, Mr Berlusconi maintained. With careful management, the company should be able to turn the corner by the second half of this year, he added.

# Rhône-Poulenc to take 35% of Roussel-Uclaf

By George Graham in Paris and Andrew Fisher in Frankfurt

THE FRENCH Government is to transfer the bulk of its 36.25 per cent holding in Roussel-Uclaf, the French pharmaceuticals company controlled by Hoechst of West Germany, to Rhône-Poulenc, France's principal state-owned chemicals company.

Rhône-Poulenc will take 35 per cent of Roussel-Uclaf, worth around FFr3.5bn ($616m) at current stock market prices, and is also to discuss separately with Hoechst, which owns 54.5 per cent of Roussel-Uclaf, the possibility of working together in other sectors.

ERAP, the state holding company that controls Elf Aquitaine, the French energy group, will take over the remaining 1.25 per cent of Roussel-Uclaf owned by the Government, taking its stake to 5 per cent. Industry ministry officials said this would open the way for Elf's pharmaceuticals subsidiary Sanofi to work with Roussel-Uclaf.

The deal closes one of the odder chapters in France's nationalisation policy, by ending direct state involvement in Roussel-Uclaf. The company escaped outright nationalisation by a whisker when the socialist government came to power in 1981, but was run under an uneasy pact between the French Government and Hoechst, which agreed to accept a minority on the board, despite its 54.5 per cent stake.

The pact was renegotiated in 1987, when a right-wing government had returned to power in France, and Hoechst regained a majority of seats on the board, as well as the right to veto the transfer of the government stake. This agreement will be renewed with Rhône-Poulenc.

The transfer also completes a thorough restructuring of the French Government's portfolio of chemicals companies. This reorganisation has involved the break-up of Orkem, whose activities were split between the two state-controlled oil companies, Elf Aquitaine and Total-CFP.

For Rhône-Poulenc, the stake in Roussel-Uclaf will provide a partner for its own pharmaceuticals businesses - which it is seeking to expand by acquiring Rorer in the US for $3.2bn - and boost its equity base.

The group has made acquisition after acquisition in the past four years, but has been prevented from issuing new ordinary equity by the freeze on further privatisations imposed when the socialists returned to power in May 1988.

Details of the Rhône-Poulenc transaction have yet to be finalised, but industry ministry officials said that the 35 per cent stake was likely to be taken over by a holding company. This would enable Rhône-Poulenc to bring in institutional investors and thus extract maximum financial advantage from the deal without losing control of the stake in Roussel-Uclaf.

Hoechst said that it planned to develop closer links with Rhône-Poulenc. These would cover both production and marketing and include environmental technology and plant safety systems.

The two companies would also co-operate in fibres, fine chemicals and intermediate products.

# Third World debt likely to depress UK bank results

By David Lascelles in London

NATIONAL WESTMINSTER Bank will today announce sharply lower profits for 1989, initiating what is expected to be a string of poor final results from the big UK clearing banks as Third World debts and tighter margins take their toll.

Analysts are forecasting that NatWest will earn between £375m ($634m) and £450m before tax, less than a third of the £1.4bn it made the year before. This fall is mainly due to the heavy provisions it made against doubtful sovereign loans last year, including a special £575m charge in November.

Lloyds Bank also announced a sharp increase in provisions which will push it into a loss of over £600m, compared with 1988 profits of £952m. However, both NatWest and Lloyds have now raised their provisions from the equivalent of about 50 per cent of their exposure to around 65 to 70 per cent and are effectively out of the Lesser Developed Countries (LDC) lending business.

The big question hanging over the results is whether Barclays and Midland will follow suit. Analysts generally expect Barclays to make another heavy charge. In its results preview Kleinwort Benson Securities says Barclays' exposure is sufficiently small and its balance sheet sufficiently strong to make a large provision possible.

However, Midland Bank has indicated that it believes its current provisioning level of 50 per cent is sufficient and analysts say it lacks the capital strength to go to 70 per cent.

Other factors affecting the results will be the consequences of rising interest rates in the UK. Changes in the structure of UK bank funding mean high interest rates now tend to squeeze profits rather than enlarge them. The clearers will also have to account for their worsening domestic loan portfolio and the rising number of company liquidations.

**UK clearing bank profits**
(£m pre-tax)

| | 1989 estimate | 1988 actual |
|---|---|---|
| Barclays | 815 | 1391 |
| Lloyds | -630 | 952 |
| Midland | -240 | 693 |
| NatWest | 450 | 1407 |

Source: UBS Phillips & Drew

Grand Metropolitan, the UK hotels and leisure group, will not make a rights issue to help fund its expected swap of breweries for pubs with Elders IXL, the Australian drinks company. Mr Allen Sheppard (above), GrandMet's chairman, told shareholders at yesterday's annual meeting that they should "forget nonsense rumours about a rights issue." He confirmed that GrandMet was at an advanced stage of its deliberations on the future of its brewing operations. Details, Page 28

# Drexel to lay off 294 employees in London

By Richard Waters in London

THE NEWS yesterday that 210 Drexel Burnham Lambert employees in the City of London had lost their jobs, to be closely followed by a further 84 in the coming weeks, caused hardly a ripple after last week's mass sackings on Wall Street.

Yet it still ranks among the worst bulk sackings in the City, second only to the 450 redundancies when Morgan Grenfell withdrew from securities at the end of 1988.

Unlike other recent job losses in the City, those at Drexel had nothing to do with the cut-throat state of the UK equity market and everything to do with the vanishing act being performed by Drexel in the US.

According to Mr Tim Hayward, a partner in the accountancy firm KPMG Peat Marwick McLintock who was appointed last week as administrator to three of five London subsidiary operations - Drexel Burnham Lambert Holdings, Drexel Burnham Lambert and Drexel Burnham Lambert Securities - it had become impossible for the firms to avoid insolvency once Drexel in the US had filed for protection from its creditors under Chapter 11 of the bankruptcy code.

"One has to face facts. I had some hope that it was possible to keep the business going. But it is a business that depends on confidence and when that has gone it is impossible to get it back again," he said.

In its commodities and futures business, Drexel relied on credit lines to meet margin payments. These lines had dried up as a result of the loss of confidence that followed US developments, leaving Drexel little choice but to wind down, said Mr Hayward.

He also said that the London subsidiaries were owed "tens of millions" of pounds by the US parent and that this had hastened the end.

# The rattle that woke up the Baby Bell

**Hugo Dixon reports on NY Telephone's response to the fibre-optic challenge presented by rival Teleport Communications Group**

Five years ago it took New York Telephone nine months to supply its big customers in the financial community with private circuits to link their headquarters in Wall Street with their other important sites such as data processing centres. Now it provides them in a month and in some cases in seven days.

In those days, NY Telephone also refused to supply its customers with 45 megabit pipes — high-capacity telephone cables used for shunting around massive amounts of data and voice traffic. It told them that, if they needed that amount of capacity, they had to lease 28 links each with a capacity of 1.544 megabits — an extremely expensive proposition.

Now NY Telephone offers its big customers 45 megabit links at a fraction of the price it costs to lease a bundle of smaller links. The local phone company, which is one of the "Baby Bells" created when American Telephone & Telegraph was broken up in 1984, has also modernised its network by installing fibre-optic cables, which can carry more and better quality traffic than old-fashioned copper wires.

An important explanation for this increased dynamism is the competition NY Telephone is facing from Teleport Communications Group, a subsidiary of Merrill Lynch, the brokerage house. Teleport runs a rival fibre-optic network in metropolitan New York and New Jersey.

"NY Telephone realises they have got competition. I think Teleport has woken them up a bit," says Mr Gerard Colliton, vice president of communications at Fulton Prebon, the New York money brokerage that uses both NY Telephone's and Teleport's networks.

Mr Joe Lucatordo, a director in NY Telephone's marketing department, admits that competition has been a factor in spurring the company to improve service, but he argues that customer demand has been just as important. "Customers in the New York metropolitan area are very knowledgeable. They are driving the vendors, whether that is NY Telephone or Teleport."

The concept of providing local networks in competition with the Baby Bells is now being copied in every leading business centre across the US. Teleport itself has a network in Boston and is planning others in Chicago, Houston, Los Angeles, San Francisco and Washington DC. Metropolitan Fibre Networks, the other main player, has systems in Baltimore, Boston, Chicago, Minneapolis and Philadelphia.

There are also strong parallels between Teleport's New York network and Mercury Communications' fibre-optic network in the City of London. By building a high-performance network to serve the banking and broking community in the capital, Mercury has provoked British Telecom to improve its own service.

"These kinds of operator will be in every major city in the US over the next three to five years," says Mr Joel Gross, a telecommunications analyst at Donaldson, Lufkin and Jenrette, the New York stockbrokers. He thinks that the new competitors will not steal significant market share from the Baby Bells, but force them to cut prices and improve their service.

When the Bell System was broken up, most of the attention was on the competition that AT&T would face on long-distance routes from new entrants such as MCI and US Sprint. The accepted wisdom was that local phone services, which the Baby Bells had responsibility for running, were natural monopolies. It just would not make economic sense to put two sets of cables into each office or home across the country.


Even Teleport Communications did not realise the opportunities when it was set up in 1983. It was originally promoted by the Port Authority of New York and New Jersey as an information hub, which would help economic development in the region. A special park to house large satellite dishes was built on Staten Island, far enough outside Manhattan to avoid radio interference, and information was piped in and out of the city by fibre-optic cables.

Only in 1985 did Teleport appreciate that its expanding fibre-optic network meant it was suited to be not so much an information hub as a rival operator to NY Telephone, servicing the business community. Three main factors help explain how Teleport has been able to compete against NY Telephone.

First, technological progress has cut dramatically the cost of building high-capacity transmission links. In addition, large businesses seem to have an insatiable appetite for moving around increasing amounts of data.

Second, as an entrepreneurial organisation, Teleport has been able to run a tighter ship and react more quickly than its giant rival. Mr Bob Annunziata, Teleport's president, says his costs of cabling a large building are $50,000 — only half what it costs NY Telephone. Teleport has only 120 staff, whose remuneration is heavily dependent on performance. This leads to vigorous marketing and a concern for customers' needs.

Finally, events such as the strike at NY Telephone last year are convincing businesses that it is not sensible to have all their eggs in one basket.

Even so, Teleport has not had an easy time establishing itself in the market. Much as MCI had to fight before it could get access to AT&T's network, Teleport has had a battle on its hands to be allowed to connect its network to NY Telephone's.

Getting satisfactory interconnection was essential if Teleport was to expand beyond its niche business of providing point-to-point circuits. Its main customers have been large financial institutions such as Bear Sterns, Morgan Stanley and Drexel Burnham Lambert; and long-distance operators such as AT&T, MCI and US Sprint.

Teleport has wired up 180 buildings in New York City and its surrounding area, giving it revenue of about $35m last year. But, says Mr Bob Atkinson, the company's senior vice president for regulatory affairs: "You had to be in at least two of our 180 buildings to get a service."

Customers were effectively barred from using Teleport's network to make calls to the general public. If Teleport wished to link its network to NY Telephone's, it had to lease a line from its larger rival. But since any of its customers could lease a line from NY Telephone at the same rate, it was uneconomic for the company to compete.

However, in a decision last year, the New York Public Utility Commission, which regulates the local phone service in New York state, told NY Telephone that it would have to allow Teleport to provide its own cables to link the two networks.

"It is really a landmark decision," says Mr Atkinson. "Effectively it allows Teleport to offer service to all of New York City."

# Enimont talks resume after meeting with PM

By Haig Simonian in Milan

THE CONTINUING dispute over the future of *Enimont*, the Italian chemicals joint venture combining Mr Raoul Gardini's *Montedison group and the* state-owned Eni energy concern, may come closer to a resolution at a special meeting between representatives from the two sides this afternoon.

The talks between six top executives from the two groups to discuss Enimont's future follows a long-awaited meeting in Rome yesterday between Mr Gardini and Mr Gabriele Cagliari, the president of Eni, with Mr Giulio Andreotti, the Italian Prime Minister.

Yesterday's 35 minutes of talks between the three men about the future of Enimont shed little light on how the differences which have arisen between Mr Gardini's wish to run the joint venture on strict commercial lines and the Government's clear desire not to lose political control over the company might be resolved.

Montedison and Eni at present own 40 per cent each of the shares in the joint venture, with the remainder held by private investors. With a meeting of the minority shareholders due to take place on February 27-28 to appoint two additional representatives to the group's 10-member board, which is at present divided evenly between Montedison and Eni representatives, a dilution of state control seems inevitable.

The political implications of this development lie behind the Government's increasing concern about the company's *affairs in recent weeks, and* notably in Mr Andreotti's growing involvement in the discussions. However, none of those involved in yesterday's meeting was ready to comment on the talks, beyond pointing to the special session called for today.

On the agenda will be a discussion of Enimont's 1989 results, as well as talks on its budget for the current year. However, the key issue remains the group's future strategy, notably in terms of its ownership structure. Moreover, the jury remains out on whether today's discussions will reach a conclusion at all.

Mr Gardini has maintained that Montedison's 40 per cent stake in the group is not for sale. Meanwhile, in spite of vague statements about the need for compromise, Mr Andreotti and other ministers have made abundantly clear the Government's determina*tion not to lose control of the* company's affairs.

With the future of Enimont having turned into something of a test case for the pace and scope of Italian industrial reform, it remains to be seen whether today's meeting will be able to take matters any further.

# Kleinwort forms joint venture

By Paul Cheeseright, Property Correspondent

KLEINWORT BENSON, the London merchant bank, and Alex Brown, the oldest US investment bank, have formed a joint venture company with $3.89bn *of property assets* under management.

The new company will handle property assets for tax-exempt institutional investors. Its portfolio is made up of two parts. The first is $1.23bn worth already managed by Alex Brown.

The second is $2.66bn worth held by FIA Associates. Alex Brown and Kleinwort Benson are buying FIA Associates from MeraBank, a Phoenix-based savings and loan company which two weeks ago filed for protection under Chapter 11 of the US bankruptcy law.

*But negotiations on the pur*chase, the price of which is not being disclosed, had been going on for five months and had been nearly completed before the filing.

Purchase of FIA Associates gives the new company, called Alex Brown Kleinwort Benson Realty Advisors, a nationwide spread of properties.

FIA Associates' activities are concentrated in the south and west, those of Alex Brown in the north and east.

For Kleinwort Benson, this venture marks a substantial expansion of its US activities. Although it runs a property *fund, its longest US* investment management experience has been in equities.

Linking with Alex Brown opens up the possibility of a new stream of fee income and exposes the bank to potential new clients for its international business.

The property management side of the new company with Alex Brown will concentrate on US asset management.

## COMPANY NEWS IN BRIEF

COMPAQ Computer, the US computer maker, will introduce several new products this year, helping its 1990 sales to remain ahead of the industry's growth, Mr Rod Canion, Compaq chairman, said, Reuter reports. The new products would be in the portable computer and high-performance area, but he gave no details.

■ Rothmans Holdings, an Australian associate of Rothmans International of the UK, plans a one-for-five bonus issue to shareholders registered at the close of business on March 12, Reuter reports. The bonus shares will qualify for the interim dividend of 29 cents declared on February 5. They will be allotted on March 23.

■ Centrale Suiker Maatschappij (CSM), the Dutch sugar and biochemical concern, lifted net profit in fiscal 1989 by 14 per cent to Fl 90m ($47m) from Fl 78.7m in 1988, AP-DJ reports. The company predicted a further rise in 1990. Including 1989, CSM net profits have grown by nearly 15 per cent for 12 years in a row.

# Kvaerner's NKr1bn deal creates big demand

By Karen Fossli in Oslo

A NKr1bn share offering for the Kvaerner group, the largest-ever international offering by a Norwegian company, was oversubscribed and increased from 3m to 3.5m shares, according to Enskilda Securities, lead manager and co-ordinator of the deal.

The shares placed were non-voting B shares at an offer price of NKr285.65 per share, representing some 11 per cent of the enlarged share capital of Kvaerner.

The offering took place last week with *DnC Fonds* and UBS Phillips & Drew Securities as co-lead managers and Banque Indosuez, Dresdner Bank and Nomura International as co-managers which together subscribed the shares and placed them internationally.

Kvaerner, one of Norway's leading industrial companies with diverse interests which range from engineering to shipbuilding, is currently expanding and modernising its shipyard at Govan, which it *bought from British Shipbuild*ers nearly two years ago.

● Bergesen, Norway's leading bulk shipowner, experienced a decline in operating profits to NKr401m ($62m) in 1989 from NKr495m the previous year due to lower *market* rates for tankers.

Operating revenue rose to NKr2.36bn from NKr2.22bn, while net profits slipped to NKr562m in 1989 from NKr640m the previous year.

Shipping operations, which account for 94 per cent of group operating profit, experienced a decline in operating profit to NKr376m in 1989 from NKr480m the previous year.

Bergesen said conditions favoured improved results for the group in 1990. The company has chartered 40 per cent of its tankers at satisfactory rates, 50 per cent of dry cargo vessels are chartered for the year while charter contracts for LPG carriers will ensure satisfactory profits in the next three to four years.

The board is considering a dividend payment of NKr1.50 a share and a proposal for each old share to be split into two new shares.

# Cement-mill group lays strong base

## Hilary Barnes on why Denmark's FLS snapped up its US arch-rival

FLS Industries, the Danish cement production equipment specialist, has not made good money "in modern times," according to its chief executive, Mr Birger Riisager. But, under his aggressive leadership, things appear to be changing.

Aside from improving its financial performance over the last two years, FLS has laid down a marker by acquiring its biggest and most aggressive rival, the Fuller Company, of Pennsylvania, for $75m late last year.

"It's always helpful if you can eliminate a competitor," said Mr Riisager, "and at the same time we are telling the world that we mean business, which can help to keep new companies from entering the market."

The Fuller acquisition fulfils three important strategic objectives for FLS. It gives the group more than 50 per cent of the world market; it makes it twice as big as its nearest competitor, a German company; and it gives it increased capacity to meet rising demand, said Mr Riisager.

In 1988, process equipment *accounted for about 30 per cent of the DKr8.06bn ($1.24bn)* turnover of FLS Industries, whose other major business areas are building materials, steel processing, and packaging.

Net profit in 1988 was DKr181m, and for 1989 the group has forecast its best-ever result.

The world market for cement mills (excluding China and the Soviet Union) was worth about $2bn a year in the late 1970s, but after the second oil shock it fell to a third of this. Only now is it climbing back towards the same level with the market this year worth about $1.2bn.

The slump in investment in new plant in the early 1980s means that today the world's cement mills are working close to full capacity.

But demand for cement, according to FLS, can be expected to increase by about 20m tonnes a year.

At the same time there is a lot of old plant, producing around 8m tonnes a year, which needs replacing. The demand for production plant is therefore expected to be strong over the next few years, and FLS will be seeking to win the major share of the orders.

Fuller will increase *FLS* cement division turnover by 50 per cent. Together the two companies (which will retain their old names) will have a turnover of about DKr4.5bn to DKr5bn.

There are risks as well as benefits associated with the Fuller deal, said Mr Riisager. The price, $75m, was big money for the Danish group, but was about equal to the sum raised by FLS Holding, the parent company, through a share issue in the autumn.

The other risk was that customers – of both companies – might take the merger badly, but Mr Riisager said the response has been overwhelmingly positive.

Among the benefits of the merger are that, in terms of equipment and know-how, the companies complement each other well. Between 30 and 40 per cent of Fuller's turnover is in non-cement equipment, chiefly equipment for the cellulose (wood-pulping) industry, which will strengthen FLS's position in this market. "Technically the combination of the companies is a trump card," said Mr Riisager.

Internationally, the two companies have organisations in many important markets, the UK, Mexico, France, and others, which can be merged. There is also an important financial advantage, in being so big, in that the expanded company will find it easier to provide credit guarantees for large projects.

This had been a problem on some occasions for Fuller, said Mr Riisager.

Given a long history of modest earnings by FLS, investors have regarded the group with caution. However, over the last year, the share price has more than quadrupled, so investors are evidently taking a rosier view.

This results not least from a *major reorganisation in* 1987-1988, for which Mr Riisager was the driving force.

An important change was to make the cement equipment operations into a separate company, F. L. Smidth, and to divisionalise it.

Costs and profits have become visible for everyone in the organisation. As a technician said, "It's surprising what a difference it makes to the number of pencils we use, now that the section actually has to pay for them."

# Chrysler venture sited at Renault plant in Spain

By Kevin Done, Motor Industry Correspondent

RENAULT, the French state-owned vehicle maker, and Chrysler of the US, are to build their first joint venture vehicle in Europe at a Renault plant in Valladolid, Spain.

Renault and Chrysler are investing around $500m in a joint project to develop and produce a small four-wheel drive sports/utility vehicle.

The vehicle, code-named JJ, will be produced in both Europe and in the US with production beginning in 1992.

In Europe ARCAD, the 50/50 Renault/Chrysler joint venture company, will produce the vehicle at an existing facility in Valladolid operated by FASA-Renault, the French group's majority-owned Spanish subsidiary.

The plant was originally due to close in mid-1991.

The plant will have a capacity to produce around 50,000 vehicles a year, Renault said yesterday, rather less than the original capacity of 80-100,000 vehicles envisaged, when details of the project were announced a year ago.

The plant will employ a workforce of around 350 with an additional 350 employed by components suppliers in the vicinity.

● AUDI, the West German carmaker, plans to expand its engine production operations to meet an expected rise of up to 20 per cent in its car production by 1995, AP-DJ reports.

National, city and regional authorities both within and outside West Germany, are among the more than 90 applicants for the planned engine plant. These include several from Eastern Europe, an Audi official said.

Audi is a wholly-owned subsidiary of Volkswagen.

# Mannesmann sales clear DM22bn despite pressure

MANNESMANN, the diversified West German machinery maker and engineering group, said yesterday its earnings in 1989 "clearly" surpassed year-earlier levels, as sales rose 9 per cent to DM22.25bn ($13.25bn) from the year-earlier DM20.42bn, writes AP-DJ.

The company did not disclose specific earnings figures but did note that some of its division's earnings were under pressure last year, following the across-the-board advances in 1988, when net profit more than doubled to DM291.7m.

The company said its plant construction subsidiary, the *Fichtel & Sachs* vehicle technology unit and the information technology operations both failed to match year-earlier earnings.

In the information technology division, high research and development costs and intense price competition in fiercely competitive markets pressured operating profit at the Mannesmann Kienzle computer unit.

But Mannesmann noted that its other operations, such as the Demag and Rexroth machinery divisions, the steel pipe lines, and the Brazilian businesses all recorded "clearly improved" earnings.

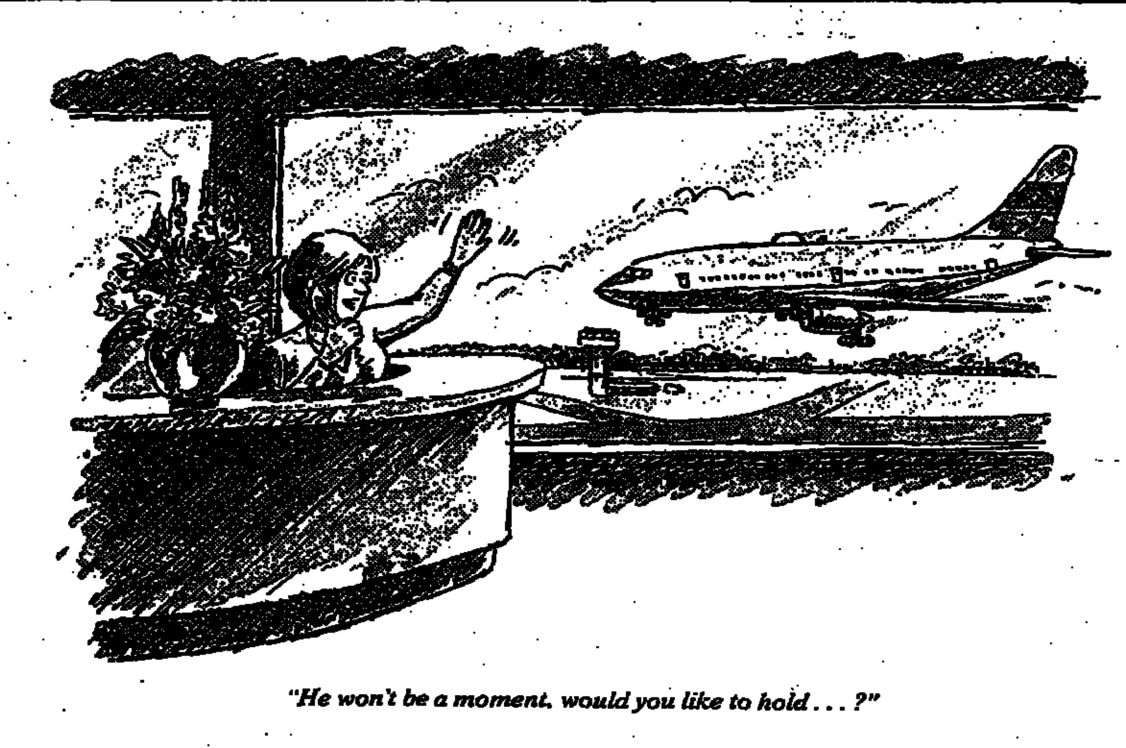
■ Traub, the West German machine tools maker, said earnings in 1989 were under pressure and consequently grew at a slower rate than sales, AP-DJ reports.

Earnings growth was dragged down by higher depreciation and increased spending for research and development.

Traub will release full financial details for 1989 later this year.

For 1990, Traub expects "a successful year." Group sales rose 10.5 per cent in 1989 from a year earlier to DM443m.





# INTERNATIONAL COMPANIES AND FINANCE

## A relaxed approach to chemicals

**Peter Marsh surveys the stable ownership and growth of Perstorp**

Of all the millions of do-it-yourself enthusiasts who have wielded a paintbrush, few have heard of trimethylolpropane. That is something Mr Karl-Erik Sahlberg is heartily pleased about.

Trimethylolpropane, one of a family of chemicals called polyalcohols, is an important ingredient in many paints. Perstorp, the Swedish chemicals group of which Mr Sahlberg is president, has about 30 per cent of the world market in the substance.

Perstorp is small by the standards of the world's $1,000bn-a-year chemicals industry. It bases most of its business on highly specialised product areas that have escaped the attention not only of the average consumer but of the large companies in the chemicals sector.

Another aspect to Perstorp is its international outlook. It gained just a fifth of its SKr6.4bn ($1.05bn) sales last year from Sweden. Another 10 per cent came from other Nordic countries, with the remaining 70 per cent scattered around the world.

While many chemicals companies fret about corporate predators and the ups and downs in share prices, Mr Sahlberg sleeps easily. Perstorp has a stable ownership. It is controlled by the Wendt family, descendants of the people who founded Perstorp 109 years ago. The family owns 20 per cent of the capital and has a voting majority.

Mr Sahlberg, a 61-year-old chemical engineer who has had the top job at Perstorp since 1975, says the stability is good for the company.

"We take a long-term view," he says. "A lot of the research we are involved in takes 15 years before you see a product. We are not forced to show a maximum profit every year: we can be patient."

For all this relaxed philosophy, Perstorp has been no slouch when it comes to growth. By selecting its product niches with care and paying special attention to marketing, the company has nearly doubled its sales over the past five years. Net earnings over this period rose from SKr245m to SKr687m.

Mr Sahlberg likes talking about the obscure chemicals in which his company has a big market position. It claims to be the leading business in specialised amino/phenolic moulding compounds for making car components and electrical fittings, a business worth £400m ($677.2m) a year globally. And it has 25 per cent of world sales in a sector of similar size – manufacture of pentaerythritol. This is another polyalcohol which is related chemically to trimethylolpropane.

Karl-Erik Sahlberg: sleeps easily while other chemical companies fret about corporate predators

Perstorp's biggest investment was a plant in Toledo in the US for making the latter material. The facility, completed a few weeks ago, cost Perstorp £20m. This is merely small change to the chemicals giants, but "for us, it's a lot of money," says Mr Sahlberg.

**PERSTORP RESULTS (SKr m)**

| Year | Sales | Net profit |
|---|---|---|
| 88-89 | 6,375 | 687 |
| 87-88 | 5,146 | 608 |
| 86-87 | 4,250 | 430 |
| 85-86 | 3,941 | 312 |
| 84-85 | 3,452 | 245 |

Another important sector for Perstorp is in the better known area of plastic household laminates, used for coating furniture and kitchen fittings. Perstorp is the biggest European company in this field, although it comes a distant third behind Formica and Wilson Art, both of the US, in the world rankings.

The three areas of polyalcohols, moulding compounds and laminates account for roughly half Perstorp's sales, with the rest taken up by an assortment of polymer-based materials, specialised additives and biotechnology products.

A typical Perstorp plant makes materials in volumes of 10,000-20,000 tonnes a year. That compares to annual outputs of several hundreds of thousands of tonnes from many large chemicals factories.

The company has nine product divisions, three of which are based outside Sweden – in Paris, Frankfurt and Vienna. All are encouraged to run autonomously. The company's head office, in Perstorp, near Malmo, has just 17 people. "We don't want anyone building up empires," says Mr Sahlberg.

Perstorp's record has given it a reputation in the chemicals sector as a model speciality producer. "The company has built up positions in mature areas," says Mr Alastair Kilgour, a chemicals analyst at the London office of BNP, the French bank. "It is a well-run operation."

However, some observers believe Perstorp's growth may start to slow over the next few years, in line with an expected downturn in the chemicals industry in general. The sector has prospered since the mid-1980s, but could be affected by reduced growth in the industrial and consumer fields to which it sells products.

Mr Sahlberg agrees that the 1990s will start off slowly for his company, but he expects overall demand to speed up later.

"For Perstorp the 1990s will not be worse than the 1980s," he says. "We intend to keep on growing at an average of 15 to 20 per cent a year."

According to Mr Sahlberg, this will happen not so much through Perstorp making huge leaps in research, but by the company continuing its philosophy of working with customers to develop specific solutions to problems. For instance, these might come through incremental advances in materials technology or additives to develop a new formulation for a paint or some other consumer or industrial item.

In line with this general outlook, Perstorp does not have a central research and development (R&D) laboratory. Instead, it attaches its researchers to product divisions so they spend most of their time on customer issues rather than dreaming about science.

Mr Sahlberg recognises the possibility of the giant chemicals companies muscling in on his product niches, but thinks they are unlikely to make much impact. "The small volumes we handle are not in general of much interest to them."

He says Perstorp is more likely to benefit through acquiring small, speciality chemical divisions that the big companies no longer want. In recent years the Swedish group has purchased in this way small businesses formerly owned by 3M and Union Carbide of the US, Matra of France and Italy's Montedison.

How does Mr Sahlberg stop his employees from becoming lazy, given the stable ownership and the lack of stock-market pressure on earnings?

"We have our own internal objectives and they are very tough. And as we get bigger we are determined not to lose the decentralised way we operate. That helps in motivation and is sacred."

## Barrick 'not interested in further takeovers'

**By Kenneth Gooding, Mining Correspondent**

AMERICAN Barrick Resources, the North American gold mining company which in 1992 will join the exclusive group of companies producing 1m troy ounces of gold a year, is making such headway with its current developments that it is no longer chasing takeover targets.

Mr Jerry Garbutt, chief financial officer, said in London yesterday that Barrick had sold all its long-term investments in potential acquisition targets, except for some shares in LAC Minerals, another Toronto-based gold miner.

However, LAC was also off the list of targets because last month Barrick sold 1.5m shares in the mining company and hoped to dispose of the remaining 1m in the second quarter of this year.

Barrick expected to cover its costs on its LAC investment, said Mr Garbutt. Previously the company revealed it made about US$3m net profit on its stake in Consolidated Gold Fields, the diversified UK group eventually bought by Hanson, the Anglo-American conglomerate.

Barrick's most important mine, Goldstrike on the Carlin Trend in Nevada, is surrounded by concessions owned by Newmont Mining, in which Hanson acquired a 49 per cent stake with the Gold Fields' acquisition.

Mr Garbutt said Barrick was not interested in bidding for Newmont at the current, inflated, market price but would like to do a deal to acquire mining rights to Newmont land adjoining Barrick's Post deposit at Goldstrike.

He was in London as part of Barrick's European "roadshow" – some 25 per cent to 30 per cent of the company's shareholders are based in Europe. Mr Garbutt said Barrick's net income would rise by 30 per cent this year.

Barrick also claimed yesterday to have achieved an important breakthrough in its litigation over its Mercur mine in Utah with the Gold Standard company. A judge upheld Barrick's position that Gold Standard was entitled to only a 15 per cent net profits interest in the mine.

## INTERNATIONAL COMPANIES AND FINANCE

# Israeli banks under starter's orders

### Hugh Carnegy surveys the proposed sale of government holdings

The Israeli Government has talked so often in the past about putting the country's leading commercial banks up for sale that prospective buyers could be forgiven for wondering if the talk would ever turn into action. Now it seems the process is about to start at last.

After months of false starts, the Government has finally won agreement from the controllers of the main banks on conditions for the disposal of the state's majority shareholdings in them.

These holdings were acquired without majority voting rights in an expensive bail-out of the banking system following a share price crash in 1983.

The issue chiefly concerns four banks – in order of size Bank Hapoalim, Bank Leumi, Israel Discount Bank, and Bank Mizrahi – which are closely woven into the country's history and which together dominate the local market, accounting for the bulk of the system's combined assets of Shk 125bn ($64.4bn).

The grand design, certainly of the Bank of Israel, the central bank, is to use the sale of state shareholdings not just to recoup as much as possible of the taxpayer's original outlay, but also to inject more efficiency and competition into the market, partly by allowing a measure of foreign investment and even control.

In the event, trade-offs made by the Government to secure agreement with the existing operators are likely to limit the extent of change in ownership and management. But if the sell-off goes ahead as is now intended, significant changes in the running of the country's financial system will occur over the next two or three years.

The story goes back to October 1983, when the Government committed itself to cover almost $7bn worth of bank shares in order to rescue the banks from threatened disaster. They had been scuttled by the sudden collapse of their own share-ramping system that had turned bank shares into juicy hedges against rampant inflation.

A currency scare which prompted a rush to convert paper into dollars abruptly ended the party. But although management changes followed the shake-out, control of the banks remained unaltered through the preservation of preferential voting registers.

This presented the Government with a difficult dilemma. It could not realistically dispose of its holdings without equal voting rights. But to enforce a one-share, one-vote system by law would have implied virtual nationalisation of the banking system.

The alternative was to reach a voluntary arrangement with the bank operators, but they proved extremely reluctant to yield control.

In the end they came round when, after several abortive attempts to finesse deals behind closed doors, Mr Shimon Peres, the Finance Minister, grew serious at the end of last year about pushing long-threatened share equalisation legislation through parliament.

The intention was to follow this by privately placing "core" holdings in the banks followed by public flotations.

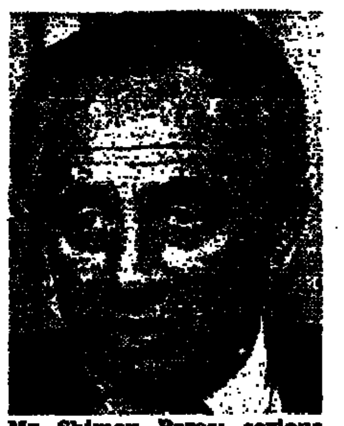
The first to come knocking at the door of MI Holdings, the state-owned company acting as its agent in the issue, was IDB, founded and still controlled by the Recanati family of Tel Aviv.

The Recanatis gave up their previous demand of first refusal in any sale of a controlling chunk of IDB stock.

They agreed in early January to concede one-share, one-vote and a competitive tender for a stake of between 26 per cent and 51 per cent in the group in return for compensation in the form of a 3 per cent equity portion.

Within days, Hevrat Ha'ovdim, the holding company of the Histadrut trade union federation which owns Bank Hapoalim, agreed a similar deal and later in the month the Jewish Colonial Trust, operator of Bank Leumi since it was set up at the beginning of the century as bank to the Zionist movement, did likewise.

The last to fall into line was Bank Mizrahi, controlled by the world Mizrahi religious Zionist movement.



Mr Shimon Peres: serious about share equalisation

Change is not going to happen overnight, however. For a start, all agreements leave the present operators in charge until a sale of stock is effected which in most cases may take some time.

The sale of IDB is scheduled to take place within a matter of months. But the deal cut by the Recanatis weights the bid process heavily in their favour, not least because they will start with a near 12 per cent equity platform.

They also have an undertaking that no move will be made to break up the IDB group, which includes a large investment arm, as well as other non-banking financial activities, so long as the Recanatis remain in the bidding. In other words, if they win, as is widely expected, they will keep hold of IDB fully intact.

The ability of the Jewish Colonial Trust and the Mizrahi movement to hold on to their institutions is much less clear.

Apart from IDB, the sale agreements allow for some uncoupling of the respective groups.

The Government fully intends, for example, hiving off Bank Leumi's profitable Bank Igud subsidiary, always its preferred first candidate for sale. But the Leumi camp has fought a tenacious rearguard action against relinquishing their position and are likely to seek a partner to help them keep some grip on the bank.

The position at Bank Hapoalim, due to be sold off in 1991, may be the most intriguing of all.

Hevrat Ha'ovdim says that, like the Recanatis at IDB, it intends to buy back control of what is the historical financial mainstay of Israel's powerful trade union sector. But even with the compensation stake, it starts from an equity base of less than 4 per cent.

Its ability to raise the necessary funds is also likely to be hurt by the assets it is almost bound to have to surrender to help keep afloat Koor Industries, its debt-ridden industrial flagship.

The issue of foreign control poses an unresolved political question. The Bank of Israel is prepared to let one of the big four fall under foreign control, but there is a strong body of opposition to this among both politicians and local bankers.

Some compromise involving partnerships with local investors may well be found, especially as most of those non-Israelis expressing interest in buying into the system are Jewish investors with an underlying Zionist commitment.

As the moves to sell proceed, the focus will shift to assessing the worth of the banks and their performance.

At this stage, because of the inflated price it paid at the time, the Government does not expect to recoup more than a third of its $7bn outlay. But officials are cagey about putting a price on the individual stakes for sale.

When 1989 results come out, all the four sell-off candidates are expected to show significant improvement over 1988, a dismal year when huge bad debt provisions knocked Hapoalim, Leumi and Mizrahi into losses and cut return on capital for the banking system as a whole to 1.5 per cent.

Heavy provisions have dogged the banks for some years, although high capital adequacy levels have helped them cope.

The Bank of Israel expects better lending practices, improving management efficiency and some recovery in the sluggish economy to show through this year.

Still, the central bank does not envisage loan loss provisions coming down to international levels of 1 per cent of total loans or less until the middle of the decade.



# Wooltru sales up sharply despite consumer squeeze

**By Jim Jones in Johannesburg**

WOOLTRU, the South African retail and wholesale chain, gained market share in the six months to December despite the Government's squeeze on consumer spending, and expects a further satisfactory profit increase in the current six months.

Turnover rose to R1.36bn ($531.2m) from R1.07bn and pre-tax profit increased to R124.2m from R88.6m.

Mr David Sussman, the chairman, says the Woolworths retail chain increased its sales by 31 per cent and the the Makro cash-and-carry wholesale operation lifted sales by 22 per cent.

He adds that stocks have been increased to provide a greater depth of merchandise, but warns that the 27 per cent increase in sales recorded in the first seven weeks of calendar 1990 might not be sustained for the remainder of the half-year.

Net earnings rose to 181 cents a share from 133.9 cents and the interim dividend has been lifted to 64 cents from 47 cents.

Last year's full earnings were 269.2 cents and the year's total dividend was 112 cents.

● Kersaf Investments, the South African leisure group, boosted pre-tax profits 29.1 per cent in its first six months to December to reach R227.1m, Our Financial Staff adds.

Turnover grew by just over a quarter to R804.7m compared with R639.4m. The interim dividend is being lifted to 50 cents per share from 38 cents, paid from net earnings of 85.1 cents a share against 65.8 cents.

This followed a higher tax bill of R71.8m compared with R55.8m, while outside shareholders' interests absorbed R91.4m against R70.8m.

● Venterspost, one of the mines in the Gold Fields of South Africa group, has just failed to attract a full subscription to its R159.5m rights issue. The parent as underwriter took up the remainder after the offer of 2.41m "linked units" was 96.4 per cent subscribed.

# Fieldings claim place in spin-off

THE FIELDING family of Ontario, which owns a majority of Canadian Pacific's 14m preferred shares, claims it should participate in the coming spin-off of a C$4bn (US$3.33bn) CP property subsidiary, writes Robert Gibbens in Montreal.

CP, as part of a poison pill package announced last December, said it would make a special pro rata distribution of 80 per cent of Marathon Realty

The Fieldings, who have one seat on the CP board, have successfully petitioned the Ontario Supreme Court to hear arguments

# FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, February 19, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 99.25 | 58.2966 | 34.7635 | 40.3045 |
| Albania | (Lek) | 10.1941 | 5.9877 | 3.5706 | 4.1397 |
| Algeria | (Dinar) | 13.5051 | 7.9325 | 4.7303 | 5.4843 |
| Andorra | (Fr Fr) | 9.70 | 5.6975 | 3.3975 | 3.9390 |
| | (Sp Peseta) | 183.95 | 108.0469 | 64.4308 | 74.7005 |
| Angola | (Kwanza) | 50.9675o | 30.0412 | 17.8520 | 20.6974 |
| Antigua | (E Carr $) | 4.5967 | 2.6999 | 1.6100 | 1.8666 |
| Argentina | (Austral) | 7203.85 | 4231.3362 | 2523.2399 | 2925.4213 |
| Aruba | (Florin) | 3.0475 | 1.7900 | 1.0674 | 1.2375 |
| Australia | (Aus $) | 2.2390 | 1.3151 | 0.7842 | 0.9092 |
| Austria | (Schilling) | 20.075 | 11.7914 | 7.0315 | 8.1522 |
| Azores | (Port Escudo) | 251.45 | 147.6945 | 88.0735 | 102.1116 |
| Bahamas | (Bahama $) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Bahrain | (Dinar) | 0.6408 | 0.3763 | 0.2244 | 0.2602 |
| Balearic Is | (Sp Peseta) | 183.95 | 108.0469 | 64.4308 | 74.7005 |
| Bangladesh | (Taka) | 54.00 | 31.7180 | 18.9141 | 21.9289 |
| Barbados | (Barb $) | 3.4242 | 2.0112 | 1.1993 | 1.3905 |
| Belgium | (Belg Fr) | 59.60c | 35.0073 | 20.8756 | 24.2030 |
| | | 59.60g | 35.0073 | 20.8756 | 24.2030 |
| Belize | (B $) | 3.405 | 2 | 1.1926 | 1.3827 |
| Benin | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Bermuda | (Bermudian $) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Bhutan | (Ngultrum) | 28.50 | 16.7400 | 9.9824 | 11.5736 |
| Bolivia | (Boliviano) | 5.1586 | 3.0300 | 1.8068 | 2.0948 |
| Botswana | (Pula) | 3.14 | 1.8443 | 1.0998 | 1.2751 |
| Brazil | (Cruzado) | 44.1250 | 25.9177 | 15.4553 | 17.9187 |
| British Virgin Is | (US $) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Brunei | (Brunei $) | 3.1690 | 1.8613 | 1.1099 | 1.2869 |
| Bulgaria | (Lev) | 1.3397 | 0.7869 | 0.4692 | 0.5440 |
| Burkino Faso | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Burma | (Kyat) | 10.7780 | 6.3306 | 3.7751 | 4.3768 |
| Burundi | (Burundi Fr) | 295.2425 | 173.4170 | 103.4124 | 119.8954 |
| Cambodia | (Riel) | 371.14o | 218 | 129.9964 | 150.7167 |
| Cameroon | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Canada | (Canadian $) | 2.0405 | 1.1985 | 0.7147 | 0.8286 |
| Canary Is | (Sp Peseta) | 183.95 | 108.0469 | 64.4308 | 74.7005 |
| Cp. Verde | (CV Escudo) | 123.1078 | 72.3100 | 43.1200 | 49.9930 |
| Cayman Is | (CI $) | 1.4131a | 0.8285 | 0.4949 | 0.5738 |
| Cent.Afr. Rep | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Chad | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Chile | (Chilean Peso) | 491.48 | 288.6813 | 172.1471 | 199.5857 |
| China | (Renminbi Yuan) | 8.0282 | 4.7155 | 2.8119 | 3.2601 |
| Colombia | (Col Peso) | 769.83 | 452.1762 | 269.6427 | 312.6213 |
| Comoros | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Congo (Brazz) | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Costa Rica | (Colon) | 144.88 | 85.0983 | 50.7460 | 58.8345 |
| Côte d'Ivoire | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Cuba | (Cuban Peso) | 1.3566 | 0.7968 | 0.4751 | 0.5509 |
| Cyprus | (Cyprus £) | 0.7925 | 0.4654 | 0.2775 | 0.3218 |
| Czechoslovakia | (Koruna) | 27.96c | 16.4229 | 9.7933 | 11.3543 |
| | | 61.11t | 35.8942 | 21.4045 | 24.8162 |
| Denmark | (Danish Kroner) | 11.0025 | 6.4625 | 3.8537 | 4.4680 |
| Djibouti Rep | (Djib Fr) | 299.00 | 175.6240 | 104.7285 | 121.4213 |
| Dominica | (E Carrib $) | 4.5967 | 2.6999 | 1.6100 | 1.8666 |
| Dominican Rep | (D Peso) | 14.3480 | 8.4276 | 5.0255 | 5.8265 |
| Ecuador | (Sucre) | 1186.60o | 696.9750 | 415.6217 | 481.8680 |
| | | 1138.12a | 668.4992 | 398.6409 | 462.1807 |
| Egypt | (Egyptian £) | 4.445 | 2.6108 | 1.5569 | 1.8050 |
| El Salvador | (Colon) | 10.9123 | 6.4095 | 3.8221 | 4.4313 |
| Equat'l Guinea | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Ethiopia | (Ethiopian Birr) | 3.4982 | 2.0547 | 1.2252 | 1.4205 |
| Falkland Is | (Falk £) | 1.00 | 0.5873 | 0.3502 | 0.4060 |
| Faroe Is | (Danish Kroner) | 11.0025 | 6.4625 | 3.8537 | 4.4680 |
| Fiji Is | (Fiji $) | 2.5664 | 1.5074 | 0.8989 | 1.0421 |
| Finland | (Markka) | 6.7278 | 3.9517 | 2.3564 | 2.7321 |
| France | (Fr) | 9.70 | 5.6975 | 3.3975 | 3.9390 |
| Fr. Cty/Africa | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Fr. Guiana | (Local Fr) | 9.70 | 5.6975 | 3.3975 | 3.9390 |
| Fr. Pacific Is | (CFP Fr) | 174.00 | 102.2026 | 60.9457 | 70.6598 |
| Gabon | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Gambia | (Dalasi) | 14.1702 | 8.3231 | 4.9632 | 5.7543 |
| Germany East | (Ostmark) | 2.8550 | 1.6769 | 1 | 1.1593 |
| Germany West | (D Mark) | 2.8550 | 1.6769 | 1 | 1.1593 |
| Ghana | (Cedi) | 524.37 | 308 | 183.6672 | 212.9421 |
| Gibraltar | (Gib £) | 1.00 | 0.5873 | 0.3502 | 0.4060 |
| Greece | (Drachma) | 268.50 | 157.7092 | 94.0455 | 109.0355 |
| Greenland | (Danish Krone) | 11.0025 | 6.4625 | 3.8537 | 4.4680 |
| Grenada | (E Carr $) | 4.5967 | 2.6999 | 1.6100 | 1.8666 |
| Guadaloupe | (Local Fr) | 9.70 | 5.6975 | 3.3975 | 3.9390 |
| Guam | (US $) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Guatemala | (Quetzal) | 6.4195 | 3.7706 | 2.2485 | 2.6069 |
| Guinea | (Fr) | 510.75 | 300 | 178.8966 | 207.4111 |
| Guinea-Bissau | (Peso) | 1106.62u | 648.8502 | 387.6077 | 449.3888 |
| Guyana | (Guyanese $) | 50.9750u | 29.9387 | 17.8546 | 20.7005 |
| Haiti | (Gourde) | 8.5125g | 4.9911 | 2.9816 | 3.4568 |
| Honduras | (Lempira) | 3.4105u | 2.1326 | 1.1945 | 1.3849 |
| Hong Kong | (HK $) | 13.3090 | 7.8173 | 4.6616 | 5.4046 |
| Hungary | (Forint) | 108.0646 | 63.4740 | 37.8509 | 43.8841 |
| Iceland | (Icelandic Krona) | 102.25 | 60.0587 | 35.8143 | 41.5228 |
| India | (Indian Rupee) | 28.50 | 16.7400 | 9.9824 | 11.5736 |
| Indonesia | (Rupiah) | 3080.43 | 1809.3568 | 1078.9997 | 1250.9360 |
| Iran | (Rial) | 117.00 | 69.2500 | 40.9807 | 47.5126 |
| Iraq | (Iraqi Dinar) | 0.5277 | 0.3099 | 0.1848 | 0.2142 |
| Irish Rep | (Punt) | 1.0765 | 0.6323 | 0.3770 | 0.4371 |
| Israel | (Shekel) | 3.30 | 1.9383 | 1.1558 | 1.3401 |
| Italy | (Lira) | 2116.25 | 1243.0249 | 741.2434 | 859.3908 |
| Jamaica | (Jamaican $) | 11.6535 | 6.8449 | 4.0817 | 4.7323 |
| Japan | (Yen) | 246.25 | 144.6402 | 86.2521 | 100 |
| Jordan | (Jordanian Dinar) | 1.1258 | 0.6612 | 0.3943 | 0.4571 |
| Kenya | (Kenya Shilling) | 36.70 | 21.5565 | 12.8546 | 14.9035 |
| Kiribati | (Australian $) | 2.2390 | 1.3151 | 0.7842 | 0.9092 |
| Korea North | (Won) | 1.6514 | 0.9699 | 0.5784 | 0.6706 |
| Korea South | (Won) | 1172.63 | 688.7694 | 410.7285 | 476.1949 |
| Kuwait | (Kuwaiti Dinar) | 0.4944 | 0.2903 | 0.1731 | 0.2007 |
| Laos | (New Kip) | 1213.88 | 712.9985 | 425.1768 | 492.9461 |
| Lebanon | (Lebanese £) | 937.53 | 550.6784 | 328.3817 | 380.7228 |
| Lesotho | (Maloti) | 4.3333 | 2.5452 | 1.5177 | 1.7597 |
| Liberia | (Liberian $) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Libya | (Libyan Dinar) | 0.4944 | 0.2903 | 0.1731 | 0.2007 |
| Liechenstein | (Swiss Fr) | 2.5350 | 1.4889 | 0.8879 | 1.0294 |
| Luxembourg | (Lux Fr) | 59.60 | 35.0073 | 20.8756 | 24.2030 |
| Macao | (Pataca) | 13.7376 | 8.0690 | 4.8117 | 5.5787 |
| Madeira | (Port Escudo) | 251.45 | 147.6945 | 88.0735 | 102.1116 |
| Malagasy Rep | (MG Fr) | 2211.00 | 1298.6784 | 774.4308 | 897.8680 |
| Malawi | (Kwacha) | 4.4250 | 2.5991 | 1.5499 | 1.7969 |
| Malaysia | (Ringgit) | 4.6068 | 2.7059 | 1.6135 | 1.8707 |
| Maldive Is | (Rufiya) | 16.00 | 9.3979 | 5.6042 | 6.4974 |
| Mali Rep | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Malta | (Maltese £) | 0.5585 | 0.3280 | 0.1956 | 0.2268 |
| Martinique | (Local Fr) | 9.70 | 5.6975 | 3.3975 | 3.9390 |
| Mauritania | (Ouguiya) | 142.2439 | 83.5500 | 49.8227 | 57.7640 |
| Mauritius | (Maur Rupee) | 25.00 | 14.6842 | 8.7565 | 10.1522 |
| Mexico | (Mexican Peso) | 4651.40a | 2732.0998 | 1629.2119 | 1888.8934 |
| | | 4572.91d | 2685.9970 | 1601.7197 | 1857.0192 |
| Miquelon | (Local Fr) | 9.70 | 5.6975 | 3.3975 | 3.9390 |
| Monaco | (French Fr) | 9.70 | 5.6975 | 3.3975 | 3.9390 |
| Mongolia | (Tugrik) | 5.7127u | 3.3495 | 2 | 2.3198 |
| Montserrat | (E Carr $) | 4.5967 | 2.6999 | 1.6100 | 1.8666 |
| Morocco | (Dirham) | 13.5774 | 7.9749 | 4.7556 | 5.5136 |
| Mozambique | (Metical) | 1450.62 | 852.0528 | 508.0980 | 589.0842 |
| Namibia | (S A Rand) | 4.3333 | 2.5452 | 1.5177 | 1.7597 |
| Nauru Is | (Australian $) | 2.2390 | 1.3151 | 0.7842 | 0.9092 |
| Nepal | (Nepalese Rupee) | 48.351 | 28.4000 | 16.9355 | 19.6349 |
| Netherlands | (Guilder) | 3.2175 | 1.8898 | 1.1269 | 1.3065 |
| N'nd Antilles | (A/Guilder) | 3.0475u | 1.7868 | 1.0674 | 1.2375 |
| New Zealand | (NZ $) | 2.8860 | 1.6951 | 1.0108 | 1.1719 |
| Nicaragua | (Cordoba) | 68313.15 | 40125.1982 | 23927.5481 | 27741.3807 |
| Niger Rep | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Nigeria | (Naira) | 13.3306 | 7.8300 | 4.6692 | 5.4134 |
| Norway | (Nor. Krone) | 11.0150 | 6.4698 | 3.8581 | 4.4730 |
| Oman | (Rial Omani) | 0.6543 | 0.3843 | 0.2291 | 0.2657 |
| Pakistan | (Pak. Rupee) | 36.20 | 21.2628 | 12.6795 | 14.7005 |
| Panama | (Balboa) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Papua New Guinea | (Kina) | 1.6463 | 0.9669 | 0.5766 | 0.6685 |
| Paraguay | (Guarani) | 2177.48 | 1278.9897 | 762.6900 | 884.2358 |
| Peru | (Intl) | 21834.40 | 12824.9045 | 7647.7758 | 8866.7614 |
| Philippines | (Peso) | 37.00 | 21.7327 | 12.9597 | 15.0253 |
| Pitcairn Is | (£ Sterling) | 1.00 | 0.5873 | 0.3502 | 0.4060 |
| | (NZ $) | 2.8860 | 1.6951 | 1.0108 | 1.1719 |
| Poland | (Zloty) | 16061.00 | 9433.7738 | 5625.5691 | 6522.2395 |
| Portugal | (Escudo) | 251.45 | 147.6945 | 88.0735 | 102.1116 |
| Puerto Rico | (US $) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Qatar | (Riyal) | 6.1881 | 3.6347 | 2.1674 | 2.5129 |
| Reunion Is. de la | (F/Fr) | 9.70 | 5.6975 | 3.3975 | 3.9990 |
| Romania | (Leu) | 35.36I † | 20.7694 | 12.3852 | 14.3593 |
| Rwanda | (Fr) | 129.4865 | 76.0566 | 45.3542 | 52.5833 |
| St Christopher | (E Carr $) | 4.5967 | 2.6999 | 1.6100 | 1.8666 |
| St Helena | (£) | 1.00 | 0.5873 | 0.3502 | 0.4060 |
| St Lucia | (E Carr $) | 4.5967 | 2.6999 | 1.6100 | 1.8666 |
| St Pierre | (French Fr) | 9.70 | 5.6975 | 3.3975 | 3.9390 |
| St Vincent | (E Carr $) | 4.5967 | 2.6999 | 1.6100 | 1.8666 |
| San Marino | (Italian Lira) | 2116.25 | 1243.0249 | 741.2434 | 859.3908 |
| Sao Tome | (Dobra) | 180.01 | 105.7327 | 63.0507 | 73.1005 |
| Saudi Arabia | (Riyal) | 6.3743 | 3.7505 | 2.2326 | 2.5885 |
| Senegal | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Seychelles | (Rupee) | 9.21 | 5.4096 | 3.2259 | 3.7401 |
| Sierra Leone | (Leone) | 200.89 | 117.9970 | 70.3642 | 81.5796 |
| Singapore | ($) | 3.1690 | 1.8613 | 1.1099 | 1.2869 |
| Solomon Is | ($) | 4.1198 | 2.4198 | 1.4430 | 1.6730 |
| Somali Rep | (Shilling) | 698.02 | 409.9970 | 244.4903 | 283.4598 |
| South Africa | (Rand) | 4.3333c | 2.5452 | 1.5177 | 1.7597 |
| | | 5.8270g | 3.4226 | 2.0409 | 2.3662 |
| Spain | (Peseta) | 183.95 | 108.0469 | 64.4308 | 74.7005 |
| Spanish Ports in N Africa | (Sp Peseta) | 183.95 | 108.0469 | 64.4308 | 74.7005 |
| Sri Lanka | (Rupee) | 67.80 | 39.8237 | 23.7478 | 27.5329 |
| Sudan Rep | (£) | 19.4936 | 11.4499 | 6.8278 | 7.9161 |
| Surinam | (Guilder) | 3.0304 | 1.7799 | 1.0614 | 1.2306 |
| Swaziland | (Lilangeni) | 4.3333 | 2.5452 | 1.5177 | 1.7597 |
| Sweden | (Krona) | 10.4450 | 6.1350 | 3.6584 | 4.2416 |
| Switzerland | (Fr) | 2.5350 | 1.4889 | 0.8879 | 1.0294 |
| Syria | (£) | 35.7525u | 20.9628 | 12.5227 | 14.5187 |
| Taiwan | ($) | 44.50 | 26.1380 | 15.5866 | 18.0710 |
| Tanzania | (Shilling) | 327.80 | 192.5403 | 114.8161 | 133.1167 |
| Thailand | (Baht) | 43.20 | 25.3744 | 15.1313 | 17.5431 |
| Togo Rep | (CFA Fr) | 485.00 | 284.8751 | 169.8774 | 196.9543 |
| Tonga Is | (Pa Anga) | 2.2390 | 1.3151 | 0.7842 | 0.9092 |
| Trinidad/Tobago | ($) | 7.2356 | 4.2499 | 2.5343 | 2.9383 |
| Tunisia | (Dinar) | 1.5392 | 0.9040 | 0.5391 | 0.6250 |
| Turkey | (Lira) | 4040.52 | 2373.2863 | 1415.2434 | 1640.8203 |
| Turks & Caicos | (US $) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Tuvalu | (Australian $) | 2.2390 | 1.3151 | 0.7842 | 0.9092 |
| Uganda | (New Shilling) | 648.98 | 381.1923 | 227.3134 | 263.5451 |
| U A E | (Dirham) | 6.2418 | 3.6725 | 2.1862 | 2.5347 |
| United Kingdom | (£) | 1.00 | 0.5873 | 0.3502 | 0.4060 |
| United States | (US $) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Uruguay | (Peso) | 1487.75 | 873.8619 | 521.1033 | 604.1624 |
| USSR | (Rouble) | 1.0176 | 0.5977 | 0.3564 | 0.4132 |
| Vanuatu | (Vatu) | 192.50 | 113.0690 | 67.4255 | 78.1725 |
| Vatican | (Lira) | 2116.25 | 1243.0249 | 741.2434 | 859.3908 |
| Venezuela | (Bolivar) | 74.1677 | 43.5639 | 25.9781 | 30.1188 |
| Vietnam | (Dong) | 7661.25 | 4500 | 2683.4500 | 3111.1675 |
| Virgin Is-British | (US $) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Virgin Is-US | (US $) | 1.7025 | 1 | 0.5963 | 0.6913 |
| Western Samoa | (Tala) | 3.8817 | 2.2800 | 1.3596 | 1.5763 |
| Yemen | (Rial) | 16.5994 | 9.7500 | 5.8141 | 6.7408 |
| Yemen PDR | (Dinar) | 0.5788s | 0.3393 | 0.2027 | 0.2350 |
| Yugoslavia | (Dinar) | 19.9190 | 11.6998 | 6.9768 | 8.0889 |
| Zaire Rep | (Zaire) | 804.05 | 472.2760 | 281.6287 | 326.5177 |
| Zambia | (Kwacha) | 40.50 | 23.7885 | 14.1856 | 16.4467 |
| Zimbabwe | ($) | 3.9250 | 2.3054 | 1.3747 | 1.5939 |

Special Drawing Rights February 16, 1990 United Kingdom £1.27551 United States $1.32182 Germany West D Mark 2.23850 Japan Yen191.400 European Currency Unit Rates February 19,1990 United Kingdom £1.39678 United States $1.21959 Germany West D Mark 2.04232 Japan Yen176.231

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currency fixed against the US dollar. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, February 19, 1990. († Rumanian Leu devalued by 150%.)





# INTERNATIONAL CAPITAL MARKETS

## Barriers and bargains in a hunt for the next Japan

**Global emerging stock markets are a fashionable buy for fund managers, writes Deborah Hargreaves**

As institutional investors rush to jump on the bandwagon of investment in the world's emerging stock markets, the question they all ask themselves is which country will be the next Japan?

Mr Richard Carss, managing director of Genesis Investment Management, believes it will be either Chile or, in the distant future, Vietnam.

At a recent conference in London, organised by International Business Communications, he pointed out that investors in emerging markets were looking to participate in the high rate of economic growth and corporate profits which typically accompanied the take-off stage of development.

The world's emerging stock markets are currently a fashionable buy for fund managers out to diversify. But although the markets offer high returns, the barriers to investing can be considerable.

Mr Frank Vibert, senior fellow at the World Institute for Development Economics Research, said the obstacles for western fund managers ranged from a shortage of stock, to foreign exchange controls and limits on foreign ownership of shares.

Investors in emerging markets must be prepared for a long haul but they could see appreciable gains as the markets grew, he warned.

Markets in Mexico, Taiwan and Korea have all seen *growth in market price indices* of more than 200 per cent between the end of 1987 and the latter part of 1989. Argentina has increased by 300 per *cent in the same* period.

This compares with a rise of 40 per cent in the US Standard & Poor's 500 stock index and a 28 per cent gain in the UK.

Emerging markets *currently* account for about 4 per cent of global equity capitalisation, with some estimates suggesting that portfolio managers should hold 4 per cent of their foreign equity holdings in these markets.

However, a more conservative forecast sees foreign investment in emerging markets growing from the current $2bn to $15bn in the next 10 years – or closer to 2 per cent of global capitalisation.

Mr Michael Barth, head of the international securities group at the International Finance Corp in Washington, said most emerging countries were realising that equity markets lay at the heart of economic development and were, therefore, reducing the barriers to foreign penetration.

Market capitalisation in some emerging markets has grown so quickly it is hard to justify the term "emerging." For example, market capitalisation in Taiwan and Korea is greater than that of Sweden and Spain.

However, investors should still be cautious over their commitment of funds to centres where political instability *can change the risk profile of a* market overnight – as many investors in the Philippines discovered in a stock market sell-off after last year's attempted coup.

In many cases it is easy to get money into a country but not so easy to get it out, explained Mr Colin Grimsey, vice president *at Chase* Manhattan Bank, the third largest bank in the US.

He cautioned investors over the pitfalls in store for an investor in an emerging market, where nothing is deceptively simple – just deceptive.

The key to a successful investment in the emerging markets is knowledge and information. Speakers at the conference repeatedly stressed the importance of finding out as much as possible about a market before taking the plunge.

Reliance on high-quality information is a prime reason why many investors choose to diversify into the emerging markets through the auspices of one of the 150 hugely popular country funds that have been set up in recent years – investing through a fund cuts out the need to devote significant resources to market research.

The proliferation of country funds should abate as investor knowledge about markets improves, enabling institutions to invest directly.

Mr Frank Vibert warned: "Last year was a very good year for emerging markets, but I don't think the current euphoria is a good perspective from which to view them."

He added, however: "With careful market and stock selection, a positive decision on diversification into emerging markets would be strongly justified."

# FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 19

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Alberta 8⅝ 96 | 750 | 97⅛ | 97½ | −0¼ | −0⅝ | 9.15 |
| Alberta 9⅝ 95 | 600 | 101 | 101⅜ | −0⅛ | −0⅜ | 9.09 |
| Austria 9⅝ 93 | 140 | †101½ | 102 | −0⅛ | −0¼ | 8.94 |
| B.F.C.E. 8⅝ 94 | 175 | 97⅛ | 97⅝ | −0¼ | −0½ | 9.09 |
| B.F.C.E. 9⅛ 95 | 150 | 100⅜ | 101 | 0 | −0½ | 9.09 |
| Brit. Tel. Fin. 9⅜ 98 | 250 | 100⅝ | 101 | −0⅛ | −0½ | 9.25 |
| Canada 9 96 | 1000 | 100⅝ | 101⅛ | −0⅛ | −0⅝ | 8.78 |
| C.C.C.E 9¼ 95 | 300 | 100⅝ | 101 | −0⅛ | −0½ | 9.09 |
| C.N.C.A 9⅜ 93 | 150 | †100⅛ | 100⅝ | 0 | −0¼ | 9.22 |
| Credit National 7⅝ 92 | 100 | 96⅞ | 97⅜ | 0 | −0⅛ | 8.86 |
| Credit National 9½ 92 | 160 | †101 | 101½ | −0⅛ | −0⅜ | 8.97 |
| Dai-Ichi Kan 9⅝ 92 | 150 | 100⅝ | 101⅛ | 0 | −0⅛ | 9.13 |
| Denmark 8¼ 94 | 150 | †95⅞ | 96⅞ | −0⅛ | −0⅜ | 9.17 |
| E.E.C. 7 91 | 100 | 96¾ | 97¼ | −0¼ | −0⅜ | 8.66 |
| E.E.C. 10 93 | 140 | *102⅝ | 102⅞ | 0 | 0 | 8.98 |
| E.I.B. 8½ 99 | 150 | 95⅛ | 95⅝ | −0⅛ | −0⅝ | 9.21 |
| Eurofima 10⅛ 93 | 100 | *102⅞ | 102⅞ | 0 | +0⅛ | 9.05 |
| Elec De France 9 98 | 200 | 99⅛ | 99⅝ | 0 | −0⅛ | 9.11 |
| Elec. De France 9½ 99 | 200 | †101 | 101½ | −0⅛ | −1⅛ | 9.33 |
| Finland 9 96 | 250 | †98⅞ | 99⅜ | +0⅛ | −0⅛ | 9.06 |
| Finn.Exp.Cd. 8½ 92 | 200 | 99 | 99½ | 0 | −0⅛ | 8.97 |
| Finn. Exp. Cd. 9⅝ 95 | 200 | †100⅝ | 101⅛ | 0 | −0⅛ | 9.15 |
| Ford Motor Credit 8 91 | 250 | †98⅞ | 99⅜ | −0⅛ | −0⅛ | 8.85 |
| Gen.Elec.Cap.Crp.10 1/2 91 | 300 | †101⅞ | 101⅞ | 0 | −0⅛ | 8.82 |
| G.M.A.C. 8⅛ 94 | 500 | †97⅛ | 97⅝ | −0⅛ | −0⅜ | 9.44 |
| G.M.A.C. 9 96 | 300 | 97⅞ | 98⅜ | −0⅛ | −0⅝ | 9.41 |
| Gen. Mtrs. Corp. 9⅛ 92 | 200 | 99⅝ | 100⅛ | −0⅛ | −0⅛ | 9.14 |
| IBM Credit Corp. 8⅝ 92 | 400 | 99 | 99½ | 0 | −0⅛ | 8.92 |
| IBM Credit Corp. 8⅞ 91 | 250 | 99⅞ | 100⅜ | 0 | −0⅛ | 8.99 |
| IBM Credit Corp. 9 92 | 250 | 100 | 100½ | 0 | −0⅛ | 8.83 |
| IBM Credit Corp. 9½ 92 | 250 | 100⅞ | 101⅜ | 0 | −0⅛ | 8.93 |
| Italy 8½ 94 | 1500 | 97⅝ | 98 | −0⅛ | −0½ | 9.05 |
| Italy 9½ 95 | 1000 | 101⅝ | 102⅛ | 0 | −0⅜ | 9.05 |
| Italy 9⅞ 99 | 2000 | 101⅞ | 102⅜ | −0⅜ | −0⅞ | 9.29 |
| Itoh C. W/W 4⅜ 94 | 1000 | 109⅝ | 110½ | −0⅛ | +1⅛ | 2.21 |
| Japan Dev. Bank 10 96 | 200 | 103½ | 103⅞ | −0⅛ | −0⅛ | 9.19 |
| KFW Intl. Fin. 9 94 | 300 | 99⅝ | 100 | −0⅛ | −0⅛ | 9.08 |
| L.T.C.B.of Japan 8⅞ 96 | 200 | 97⅞ | 98⅛ | — | — | 9.15 |
| L.T.C.B. of Japan 9⅛ 92 | 200 | 100⅛ | 100⅝ | 0 | +0⅛ | 9.05 |
| New Zealand 9 94 | 850 | 98⅞ | 99⅛ | −0⅛ | −0⅛ | 9.29 |
| Nippon Tel.&Tel. 8½ 96 | 200 | 96⅛ | 96⅞ | — | — | 9.15 |
| Nippon Tel.&Tel. 9⅜ 98 | 250 | 100⅛ | 100⅞ | −0⅛ | −0⅛ | 9.23 |
| Norway 8⅜ 93 | 500 | 99⅝ | 100⅛ | 0 | −0⅛ | 8.79 |
| Portugal 8⅛ 91 | 300 | †98⅝ | 99⅛ | 0 | 0 | 9.35 |
| Sumitomo Corp. W/W 4 93 | 1500 | †117½ | 119 | −0⅛ | −1⅛ | −1.29 |
| Sweden 8⅛ 96 | 200 | 98⅝ | 99 | −0⅛ | −0⅜ | 9.82 |
| Toyota 9½ 97 | 200 | 100⅞ | 101⅛ | +0⅛ | 0 | 8.93 |
| Toyota Mtr.Corp. W/W 4 93 | 1500 | †104 | 105⅛ | −0⅛ | +1⅛ | 2.48 |
| Victorian Rep 11⅝ 92 | 150 | †104⅛ | 104⅝ | −0⅛ | −0⅛ | 9.28 |
| World Bank 8⅜ 99 | 1500 | †97 | 97½ | −0⅛ | −0⅝ | 8.74 |
| World Bank 9 97 | 300 | 99½ | 100 | −0⅛ | −0⅜ | 9.03 |
| World Bank 9 93 | 300 | †100⅜ | 100⅞ | 0 | −0⅛ | 8.75 |
| World Bank 9⅛ 98 | 300 | 100⅛ | 100½ | −0⅛ | −0⅜ | 9.17 |
| World Bank 9⅝ 99 | 500 | 102½ | 102⅞ | −0⅜ | −0⅛ | 9.18 |
| World Bank 9⅞ 96 | 300 | †102⅛ | 102⅝ | −0⅜ | −0⅜ | 9.16 |

Average price change... On day −0⅛ on week −0⅜

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. BK. 6 94 | 200 | 86⅛ | 86⅝ | −0⅞ | −3⅛ | 9.65 |
| Austria 6⅜ 99 | 750 | †84⅜ | 85⅛ | −1 | −1⅝ | 9.27 |
| Bk.Frgn.Econ.USSR 7 96 | 750 | *87⅝ | 87⅝ | 0 | −0⅝ | 9.78 |
| Bank of Tokyo 5⅝ 93 | 100 | 89⅞ | 90⅛ | −1½ | −2⅛ | 9.72 |
| Commerzbank o/s. 5⅜ 93 | 300 | †91⅛ | 91⅜ | 0 | −0⅛ | 8.83 |
| Credit Foncier 6⅜ 99 | 500 | †84½ | 84⅜ | −1 | −1⅜ | 10.44 |
| E.I.B. 6¼ 99 | 600 | 81⅝ | 82 | −1 | −2⅛ | 9.32 |
| E.I.B. 6½ 99 | 300 | †85½ | 85⅞ | −0⅝ | −1⅛ | 8.87 |
| E.I.B. 6⅝ 96 | 600 | 88 | 88½ | −0⅜ | −0⅛ | 9.21 |
| E.I.B. 6⅞ 95 | 300 | 88⅞ | 89⅛ | −1¼ | −2½ | 9.43 |
| E.I.B. 8 2000 | 500 | 94⅜ | 94⅝ | −1⅜ | −3⅛ | 8.85 |
| Euro.Coal & Steel 7⅛ 94 | 100 | †98⅜ | 99⅛ | −0⅜ | −0⅜ | 8.00 |
| Eurofima 6¼ 96 | 100 | 85⅜ | 86⅛ | −2⅜ | −3½ | 9.26 |
| Elec De France 5⅜ 97 | 300 | †81⅛ | 82¼ | 0 | −1 | 9.23 |
| Hydro-Quebec 6⅜ 99 | 300 | †84½ | 84⅞ | −1⅛ | −2⅜ | 9.32 |
| Japan Dev. Bk. 5⅜ 95 | 300 | †83⅛ | 83⅜ | −0⅛ | −2 | 9.55 |
| Japan Finance 5⅜ 97 | 100 | 81⅞ | 82⅜ | −0⅜ | −2½ | 9.34 |
| I.A.D.B. 7⅛ 99 | 300 | 87 | 87½ | −1⅜ | −2½ | 9.34 |
| Ireland 6½ 97 | 300 | 85⅜ | 85⅜ | −0⅛ | −1⅛ | 9.35 |
| Ireland 7⅛ 99 | 500 | 87 | 87⅜ | −0½ | −0⅞ | 9.34 |
| Malaysia 6⅛ 94 | 150 | 94⅞ | 95⅛ | +0⅛ | 0 | 7.62 |
| Nat. West BK. PLC 6 98 | 300 | †81⅛ | 82⅛ | −1 | −1⅝ | 9.22 |
| Nippon Telg.&Tel. 6 95 | 400 | †83⅞ | 84⅛ | −1½ | −6 | 7.31 |
| Oesters. Kontbk. 5 93 | 300 | 89 | 89½ | −0⅛ | −1⅝ | 9.34 |
| Portugal 5⅜ 92 | 150 | 92⅞ | 92⅞ | −0⅜ | −0⅞ | 9.22 |
| Portugal 6⅝ 95 | 150 | 91⅞ | 92⅛ | −0½ | −0⅜ | 8.50 |
| Royal Insurance 5½ 92 | 300 | 92 | 92½ | −0⅛ | −1⅜ | 9.67 |
| Turkey 6½ 95 | 500 | †87⅛ | 87⅝ | −0⅛ | −0⅞ | 9.68 |
| Union Bk.Finland 5½ 94 | 200 | †88 | 88½ | −1⅛ | −1⅜ | 9.20 |
| World Bank 6 98 | 500 | †80½ | 80⅞ | −1⅛ | −1⅜ | 9.32 |
| World BK. 6⅛ 97 | 600 | 82⅞ | 83⅛ | −1½ | −2⅛ | 11.34 |
| World Bank 6⅛ 99 | 600 | 84⅛ | 84⅝ | −1½ | −2 | 9.30 |

Average price change... On day −0⅞ on week −1⅛

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| African Dev.Bk. 5 96 | 150 | †85½ | 86 | 0 | −0⅝ | 7.90 |
| Asfinag 5 03 | 100 | †80 | 81 | −0½ | −0½ | 7.32 |
| B.F.C.E. 4½ 98 | 200 | †83½ | 84 | +0⅛ | 0 | 7.13 |
| B.M.W.Fin.Neth. 5 13 | 150 | †72⅞ | 73½ | 0 | −2⅞ | 7.47 |
| Britannia B/S. 4⅛ 94 | 100 | †85 | 86 | −0⅜ | −0⅛ | 8.39 |
| CIR. Int. W/W 3 93 | 125 | †83 | 84 | +0⅜ | +0⅝ | 8.79 |
| Credit Lyonnais 4⅜ 00 | 100 | †78 | 79⅛ | −0⅞ | −0⅞ | 7.85 |
| E.I.B 4⅝ 98 | 150 | †82⅛ | 83 | −0⅜ | −0⅛ | 7.50 |
| Finn. Exp. Cd. 8⅛ 92 | 75 | †98 | 98½ | 0 | −0⅝ | 8.99 |
| Fletcher Chall. 4⅞ 98 | 150 | †75 | 76 | +0½ | +0⅜ | 9.29 |
| I.A.D.B. 6 2004 | 200 | †89½ | 90½ | +0⅛ | +0⅜ | 7.12 |
| Kobe City 4⅝ 98 | 150 | †83⅛ | 84⅛ | 0 | +0⅛ | 7.28 |
| Leeds Perm. B/S. 4⅛ 93 | 200 | †87 | 88 | 0 | 0 | 8.83 |
| Malaysia 5⅛ 98 | 100 | †76 | 77 | +0½ | −2⅛ | 9.42 |
| Maxwell Comm.Crp. 5 95 | 150 | †80⅛ | 81⅛ | −0⅝ | −0⅛ | 9.80 |
| Nat.Bk. Hungary 5½ 94 | 75 | †85 | 86 | −0⅛ | +0⅛ | 9.36 |
| Nationwide Ang.B/S. 4 93 | 200 | †86⅛ | 87 | +0⅛ | +1½ | 8.80 |
| Prov. Newfoundland 5 03 | 150 | †79 | 80 | −0⅝ | −1⅛ | 7.42 |
| Thailand 4⅝ 95 | 200 | †83 | 85 | +1⅞ | 0 | 8.43 |
| World Bank 5 03 | 150 | †81 | 82 | 0 | +1 | 7.18 |

Average price change... On day +0⅛ on week −0⅛

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Canada 6⅛ 91 | 80 | 99¼ | 99½ | 0 | −0⅛ | 6.78 |
| Canada 5⅜ 93 | 80 | 96⅛ | 96⅝ | −0⅛ | −0⅜ | 6.79 |
| Cr.Local France 6⅛ 94 | 300 | 96⅛ | 97 | −0⅛ | −0⅛ | 6.56 |
| Denmark 6⅛ 95 | 300 | 97 | 97⅛ | −0⅛ | −0⅛ | 6.55 |
| E.I.B. 4⅞ 93 | 30 | 94⅜ | 95 | 0 | +0⅛ | 6.80 |
| Norway 5⅛ 95 | 50 | 93 | 93⅛ | −0⅛ | −0⅛ | 6.75 |
| Sweden 4⅝ 93 | 50 | 93⅝ | 93⅞ | −0⅛ | +0⅛ | 6.84 |
| World Bank 5⅛ 98 | 10 | 89⅛ | 89⅝ | 0 | −0⅛ | 6.88 |
| World Bank 7 94 | 20 | 100⅝ | 101⅛ | 0 | +0⅛ | 6.71 |

Average price change... On day −0⅛ on week −0⅛

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey Nat. 10⅛ 94 C$ | 150 | 93 | 93½ | −0⅛ | −2 | 12.24 |
| Abbey Nat. 11⅝ 93 £ | 100 | †94⅛ | 94½ | −0⅜ | −0⅞ | 14.12 |
| Aegon 7⅛ 92 Fl | 100 | 98 | 98⅝ | −0⅛ | +0⅛ | 8.05 |
| Alg. Bk. Ned. 5⅜ 93 Fl | 200 | 91½ | 92⅛ | −0⅛ | +0⅛ | 8.93 |
| Austria 7½ 94 ECU | 100 | †88⅞ | 89⅝ | −0⅜ | 0 | 10.92 |
| Barclays Aus 13½ 91 A$ | 100 | 96⅛ | 97 | −0⅛ | 0 | 15.72 |
| Belgium 8⅛ 94 Ecu | 150 | †90⅞ | 91⅛ | −0½ | 0 | 10.96 |
| Bell Canada 10⅝ 04 C$ | 200 | 94½ | 95 | −0⅝ | −2⅞ | 11.62 |
| BP.Capital 9⅛ 93 £ | 100 | †89½ | 89⅞ | −0⅝ | −0½ | 14.02 |
| British Airways 10 98 £ | 100 | †84⅜ | 85⅛ | −0⅜ | −1⅛ | 13.16 |
| Brit. Telecom 9⅛ 93 £ | 150 | *89½ | 89½ | 0 | −1 | 13.93 |
| Comm. Bk Aust. 12⅝ 93A$ | 100 | †94⅛ | 94⅝ | −0⅜ | −0½ | 14.85 |
| Comm.Bk.Aus.13⅛ 94 NZ$ | 60 | 101⅞ | 102⅜ | −0⅛ | −1⅛ | 13.11 |
| Credit Foncier 9 96 Ecu | 100 | †92 | 92½ | −0½ | −0½ | 10.71 |
| CrLocalFrance 9⅛ 92Ecu | 100 | †96⅛ | 97⅛ | −0½ | −0⅛ | 10.73 |
| Deut. Bk.Aus. 13⅜ 93 A$ | 125 | 97½ | 98 | −0⅛ | −0⅛ | 14.13 |
| Deutsche Bk.Fin. 15 94 A$ | 100 | 101½ | 102 | −0⅛ | −0½ | 14.36 |
| Elec.De France 9⅛ 99C$ | 150 | 89⅝ | 90⅛ | −0⅜ | −2⅛ | 11.53 |
| E.I.B. 7 96 LFr | 100 | — | — | — | — | — |
| E.I.B. 7⅛ 99 Fl | 150 | 87⅞ | 88⅛ | −0⅛ | −0⅞ | 9.07 |
| E.I.B. 9 99 Ecu | 150 | †92⅞ | 93⅛ | +1 | +0⅞ | 10.20 |
| Eurofima 7⅝ 94 Ecu | 100 | †89⅞ | 90⅜ | −0⅛ | −0⅛ | 10.83 |
| Export Dv.Crp.8⅞ 92Ecu | 100 | †96⅛ | 96⅝ | +0⅜ | +0⅛ | 10.66 |
| Fed.Bus.Dv.Bk. 9 94 Ecu | 100 | †94¼ | 94⅜ | 0 | 0 | 10.62 |
| Fed.Bus.Dv.Bk.9⅛ 92 C$ | 75 | †94⅞ | 95⅜ | −0⅛ | −1⅛ | 12.26 |
| Ford Cr.Can.10⅛ 93 C$ | 100 | †95⅞ | 96⅜ | −0½ | −1⅛ | 12.38 |
| Ford Cred.Can.10⅞ 96C$ | 125 | 94⅞ | 95⅛ | −0⅜ | −2¼ | 12.08 |
| Ford Cred.Fund.10⅛ 93£ | 60 | — | — | — | — | — |
| G.M.A.C.Canada 11 3/4 94C$ | 100 | 98 | 98½ | −0⅛ | −1⅜ | 12.28 |
| Heineken 7⅝ 94 Fl | 150 | 96⅛ | 97⅛ | −0⅛ | +0⅛ | 8.03 |
| Hydro-Quebec 11 99 C$ | 400 | 96 | 96⅜ | −0⅜ | −2⅜ | 11.72 |
| Lloyds Bank 10⅛ 98 £ | 150 | †85 | 85⅜ | −0⅞ | −1⅞ | 13.37 |
| Lloyds Bank 11⅜ 98 £ | 100 | *90 | 90 | 0 | −0⅛ | 13.35 |
| Nat. Aus. Bk. 14⅛ 94A$ | 100 | 99⅞ | 100⅜ | −0⅛ | +0⅛ | 14.70 |
| New Zealand 9½ 93 £ | 100 | †88⅜ | 88⅞ | −0⅜ | −0⅞ | 14.19 |
| O.E.K.B. 10⅛ 99 C$ | 150 | 92⅛ | 92⅝ | −0⅜ | −2⅛ | 11.57 |
| Royal Bk.Scot.10⅝ 98 £ | 125 | †87⅛ | 87⅝ | −0⅞ | −1⅛ | 13.30 |
| Saskatchewan 10⅛ 93 C$ | 200 | 95 | 95½ | −0⅛ | −1½ | 11.86 |
| State Bk.NSW. 13⅞ 93A$ | 100 | 97⅜ | 98⅛ | −0⅛ | −0⅜ | 14.59 |
| Sweden 7½ 93 Ecu | 250 | †90 | 90½ | 0 | +0⅛ | 10.78 |
| Sweden 15 94 A$ | 100 | 101⅝ | 102⅛ | −0⅜ | −0⅝ | 14.34 |
| Toyota Mtr.Cr.10⅝ 94C$ | 150 | 94 | 94⅜ | −0⅜ | −2 | 12.01 |
| Toyota Mtr.Cr.11⅛ 92C$ | 150 | 97⅜ | 98 | −0⅛ | −1⅛ | 12.57 |
| World Bank 7⅛ 99 Fl | 300 | 87⅝ | 88⅛ | −0⅛ | −0⅞ | 9.10 |
| World Bank 10⅞ 94 £ | 200 | †92 | 92⅜ | 0 | −0⅜ | 13.26 |
| World Bank 13⅛ 92 A$ | 100 | 99⅛ | 99½ | +0⅛ | +0⅛ | 13.65 |
| World Bank 14⅛ 94 A$ | 75 | 99⅞ | 100⅜ | −0⅜ | −0⅝ | 14.21 |
| Zentrspk. 13⅛ 93 A$ | 75 | †97⅛ | 97⅞ | −0⅛ | −0⅛ | 14.10 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn |
|---|---|---|---|---|---|
| Alliance & Leic.Bld 94 £ | .08 | 99.88 | 99.93 | 24/04 | 15.33 |
| Bank of Greece 99 US | 10⅛ | 99.13 | 99.23 | 8/03 | 9⅛ |
| Belgium 91 US | 0 | 100.09 | 100.19 | 21/02 | 8.81 |
| Chelt.& Gloucester 94 £ | .063 | 99.79 | 99.84 | 28/02 | 15.31 |
| Credit Foncier 98 US | .063 | 99.69 | 99.79 | 20/04 | 8.31 |
| Dresdner Finance 99 DM | †.031 | 100.21 | 100.31 | 28/04 | 6.97 |
| EEC 3 92 DM | †0 | 100.44 | 100.54 | 22/02 | 6⅛ |
| Halifax BS 94 £ | .1 | 100.01 | 100.06 | 9/02 | 15.16 |
| Invt. In Industry 94 £ | 0⅛ | 99.97 | 100.06 | 17/04 | 15½ |
| Leeds Perm. B/S. 94 £ | 0⅛ | 100.06 | 100.11 | 17/04 | 15.37 |
| Milk Mkt. Brd. 5 93 £ | 0⅛ | 99.89 | 99.94 | 29/03 | 15⅛ |
| New Zealand 5 97 £ | .07 | 100.03 | 100.13 | 22/02 | 15⅛ |
| Northern Rock 92 £ | 0½ | 99.83 | 99.88 | 30/04 | 15.18 |
| State Bk. Nsw. 98 US | .188 | 100.00 | 100.11 | 11/02 | 8.81 |
| Woolwich Equit.BS. 93 £ | 0⅛ | 100.01 | 100.06 | 17/04 | 15.37 |
| Woolwich 5 95 £ | 0⅛ | 100.02 | 100.06 | 22/02 | 15.31 |

Average price change... On day 0.00 on week +0.02

| CONVERTIBLE BONDS | Cnv. date | Cnv price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Alcoa 6¼ 02 US | †8/87 | 62. | 108⅜ | 109⅜ | +1 | 7.94 |
| Amer. Brands 7⅛ 02 US | 9/87 | 56.7 | 116 | 117 | −0⅜ | 1.23 |
| Asda 4⅛ 02 £ | 3/87 | 1.64 | 101⅜ | 102⅛ | 0 | 47.85 |
| CBS. Inc. 5 02 US | 4/87 | 200. | 97⅛ | 98⅛ | +0⅛ | 7.64 |
| Dai-Ichi Kan. 3⅞ 04 US | 7/89 | 3486. | 90 | 91 | −1⅛ | 7.79 |
| Daiwa Bank 3⅛ 95 US | 2/90 | 1628. | 96⅝ | 97⅝ | −0⅞ | −1.91 |
| Primerica 5½ 02 US | †4/87 | 66.75 | 71⅛ | 72⅛ | −0⅛ | 79.66 |
| Eng.China Clay 6½ 03 £ | 9/88 | 4.8 | 83⅛ | 84⅛ | −0⅝ | 9.67 |
| Fujitsu 3 99 US | 5/84 | 1106. | 214½ | 215½ | −7½ | −3.07 |
| Ladbroke Grp. 5⅛ 04 £ | 6/89 | 3.55 | 99½ | 100½ | 0 | 17.55 |
| Land Secs. 6⅜ 02 £ | 6/87 | 6.72 | 83⅛ | 84⅛ | −0⅜ | 13.07 |
| Minolta Camera 2⅛ 94DM | 2/86 | 1004. | 105 | 106⅛ | −0⅛ | 8.73 |
| MCA Inc 5⅛ 02 US | †9/87 | 69.62 | 93½ | 94½ | +0½ | 20.64 |
| Mitsubishi Bk. 3½ 04US | 5/89 | 3266. | 88½ | 89½ | −0⅞ | 6.13 |
| Next Plc 5⅛ 03 £ | 11/87 | 4.3 | 95½ | 96½ | 0 | 300.78 |
| Nishi Nipp.Bk.2⅞ 03 US | 4/88 | 804. | 152 | 153 | −1½ | −2.69 |
| Omnicom Inc. 6 1/2% 04 US | 10/89 | 28. | 101⅞ | 102⅞ | 0 | 21.98 |
| Owens Tateisi 2⅛ 02 US | †4/87 | 1310. | 268 | 269 | −0½ | −1.55 |
| Ranks Hovis 4⅛ 03 £ | †1/88 | 3.5 | 118 | 119 | 0 | −0.50 |
| Redland 7⅛ 02 £ | †1/87 | 5.4 | 104½ | 105½ | +1½ | 2.72 |
| Saatchi&Saatchi 6⅜ 03 £ | 10/89 | 4.41 | — | — | — | — |
| Silicon Graphics 8 04 US | 6/89 | 23.18 | 138½ | 139½ | +0⅛ | −0.49 |
| Sumitomo Bank 3⅛ 04 US | 2/89 | 3897. | 84½ | 85½ | −0⅛ | 9.89 |
| Texas Inst. 2⅞ 02 US | 9/87 | 82.87 | 75⅛ | 76⅛ | 0 | 92.19 |
| Utd.N'papers 8 04 £ | 10/89 | 8.77 | 123⅞ | 124⅞ | +0⅞ | −180.24 |
| W.R. Grace 6⅛ 02 US | 9/87 | 42.12 | 90⅛ | 91⅛ | −0⅛ | 26.37 |

* No information available-previous day's price

† Only one market maker supplied a price

*Straight Bonds:* The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Flemming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; State Bank of Victoria; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities

# Japanese rates fears send European prices tumbling

By Andrew Freeman

EUROPEAN government bond markets had another miserable day yesterday, as the US market was closed for President's Day. Renewed fears over the pace of political and economic change in Germany, and worries about the likely upward movement of Japanese interest rates caused bond prices to tumble across the maturity range.

## GOVERNMENT BONDS

■ IN JAPAN the market was dominated by fears of a post-election rise in the discount rate by the Bank of Japan, and gross redemption yields on JGBs headed towards a key resistance level at 6.7 per cent. By the close of trading yields had risen to 6.68 per cent, although most volume occurred on the futures market rather than the cash market.

Analysts were convinced that an interest rate rise is inevitable as the BoJ looks to strengthen the yen and restrict the inflationary pressure of wage claims.

■ IN WEST Germany sentiment took another turn for the worse after a breather at the end of last week. Led by further falls on the futures market, bond prices were marked sharply lower. Recent federal bonds fell by as much as 2 points, and the new 7¾ per cent 10-year bond was yielding about 8.84 per cent at the fixing.

The bund future on Liffe was again actively traded and fell to about 80.80 from Friday's close of 82.39. Analysts were bemused by the scale of yesterday's drop in prices, arguing that the strength of the D-Mark against the dollar had not given the market the boost that might have been expected.

This week will be dominated by the first meetings of the Commission on Monetary Union with East Germany, as well as by money supply figures due today, which are expected to show a large increase.

■ The German debacle pulled other markets lower. In Denmark prices fell by more than 2 points in spite of encouraging inflation figures. The benchmark 9 per cent issue due 2006 was yielding 12.4 per cent, while real yields on some issues breached the 9 per cent level.

Dutch government bonds fell by about 60 cents, while in France OATs closed down by 1¼ points across the board after rallying from early falls of more than 2 points.

In the UK weekend newspapers' concern with inflation and considered reaction to last week's economic figures combined with the downward pressure exerted by Germany to cause sharp falls on the gilts market. Traders reported thin volumes and were marginally encouraged by evidence of some buying on recovery hopes.

Gilt prices at the long end fell by about 1 point, giving yields of 11.22 per cent, while at the shorter end losses were between ⅜ and ¼ point. Gilt futures traded near their record lows.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 10.000 | 4/93 | 93-08 | -17/32 | 12.67 | 12.33 | 12.34 |
| | | 10.500 | 5/99 | 93-31 | -20/32 | 11.56 | 11.36 | 11.23 |
| | | 9.000 | 10/08 | 86-18 | -31/32 | 10.67 | 10.42 | 10.22 |
| US TREASURY * | | 8.500 | 2/00 | 100-05 | -12/32 | 8.486 | 8.39 | 7.93 |
| | | 8.500 | 2/20 | 99-26 | -10/32 | 8.52 | 8.46 | 8.27 |
| JAPAN | No 119 | 4.800 | 6/99 | 88.1752 | -0.224 | 6.86 | 6.63 | 6.72 |
| | No 2 | 5.700 | 3/07 | 94.8285 | - | 6.38 | 6.30 | 6.59 |
| GERMANY | | 7.125 | 12/99 | 88.9500 | -1.300 | 8.86 | 8.57 | 7.71 |
| FRANCE | BTAN | 8.000 | 10/94 | 89.2503 | -0.745 | 11.05 | 10.68 | 10.29 |
| | OAT | 8.125 | 5/99 | 88.5800 | -1.160 | 10.44 | 10.02 | 9.51 |
| CANADA * | | 9.250 | 12/99 | 92.5500 | -0.500 | 10.46 | 10.18 | 9.88 |
| NETHERLANDS | | 7.500 | 11/99 | 90.6300 | - | 8.98 | 8.98 | 8.15 |
| AUSTRALIA | | 12.000 | 7/99 | 93.1785 | -0.504 | 13.28 | 13.11 | 12.99 |

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

*Technical Data/ATLAS Price Sources*

# Double-edged protection for US investors

## Rules designed to protect holders are curtailing their rights, reports Stephen Fidler

When Bass announced plans to buy the US Holiday Inns hotel chain last year from Holiday Corporation for $2bn, the British brewer's US investors were kept in the dark about what it was up to.

According to one of Bass's US shareholders, the company had been advised by its London lawyers "that it was not allowed to give any information on its plans or to discuss its operations" with American investors because of US securities regulations. UK stock analysts meeting Bass were asked to sign an undertaking not to discuss it with US shareholders.

In share issues in 1987 for National Westminster Bank, in 1988 for Lasmo and in 1989 for Grand Metropolitan, the rights of US investors were severely curtailed or non-existent.

US shareholders in British Petroleum do not have the dividend reinvestment rights granted to non-US shareholders, and if they want to invest their dividend they must pay commissions to do it in the market. BAT's shareholders in the US were, according to institutional investors, excluded from last year's £13bn all-paper bid from the Hoylake consortium led by Sir James Goldsmith.

This is all ostensibly to comply with laws designed to protect US investors. But US investment institutions see themselves as suffering from over-cautious interpretations of the Securities Act of 1933, which in some cases may suit the tactical objectives of the companies involved and have little to do with investor protection. The shield, they say, too often becomes a sword.

US investors' increasing diversification of their equity portfolios into foreign markets makes this an issue of growing importance.

One of the most active of such investors, the College Retirement Equities Fund (Cref), says that such interpretations have, in the past, caused it to lose "significant sums of money because we were prevented from participating in rights offerings and making other normal investment choices as shareholders otherwise available to non-US shareholders."

The central concern is the extent to which foreign issuers making representations or offerings to US investors have to register with the US Securities and Exchange Commission.

Cref, which currently has close to $5bn of its $35bn to $40bn equity portfolio invested in foreign stock markets, successfully sought guidance from the SEC in 1987 which, it believed, should have significantly reduced its problems in participating in, for example, foreign rights offerings. Two SEC "no action" letters suggested that where shareholders were US institutional investors they should be allowed to participate in rights and other offerings as private placements, without the issuer having to register with the SEC.

Yet Cref says progress has been slower than it hoped. In spite of new SEC rules – Regulation S, which covers international transactions, and Rule 144a, which will define an institutional market to facilitate the private placement market – likely to be published soon and which should further clear up grey areas for foreign issuers, the fund has embarked on a campaign to highlight the needs of US shareholders.

Mr Peter Clapman, a senior vice president and associate general counsel at Cref, says: "The conditions for a private placement are not particularly onerous." All that is needed is a letter from the investor to assure the issuer that it will not resell the shares in the US, or that, if it does, they will be sold to an investor similarly exempt from US registration procedures.

According to Mr Clapman there is no onus on the issuer to police this commitment by the investor.

He admits to "a small iota of uncertainty" for the "super-cautious" over whether a US investor could sell back those shares on the London Stock Exchange. But he says the SEC was specific in allowing the resale by US institutions of French privatisation issues on the Paris bourse.

The SEC has declined to specify its views further because it is planning a full review of these international issues, but such sales would be allowed under SEC staff proposals for a new Regulation S.

Cref ascribes what it sees as the excessive caution of UK issuers to their desire for a "copper-bottomed" legal opinion, which lawyers are naturally reluctant to provide. Companies in other countries seem less bothered by this, it says.

Some issuers are also slow to recognise the problems of their US investor base, while others may simply want to avoid the bother.

While the path of US institutional investors will be smoothed by the expected new regulations, foreign companies will still need to recognise their special, if less than burdensome, requirements.

# Sonelgaz withdraws issue until conditions stabilise

By Norma Cohen

EUROBOND markets mirrored the deepening gloom in world government bond markets yesterday with prices falling among dollar, D-Mark and sterling issues. In D-Mark securities prices of liquid issues fell as much as 1¼ points on fears that German reunification will force both interest rates and inflation up.

## INTERNATIONAL BONDS

The last slide in prices there proved too much for Sonelgaz, the Algerian government-owned utility, and its underwriters, BHF Bank. BHF announced yesterday it would temporarily withdraw a DM150m five-year issue launched on February 1 with a coupon of 9½ per cent. BHF said it believed withdrawing the issue was in the best interests of investors although it intended to relaunch the deal once conditions had stabilised.

The securities, priced at par at launch, were trading at 96.75 per cent last week, with underwriters fearing that the price could slide to 95 by the February 23 payment date.

However, underwriters noted more demand for floating-rate D-Mark paper which allowed New Zealand to tap the markets with a DM500m five-year issue priced to yield ⅛ under London interbank offered rates. New Zealand has not effected a currency swap and intends to hold the proceeds in D-Marks to offset some maturing issues in that currency.

Lead underwriter Commerzbank quoted the issue at 99.72 bid, just above the level required for co-managers to sell the issue profitably. However, some dealers described the pricing as tight, saying the securities traded at 99.69 per cent.

Meanwhile, the close of US debt markets for President's Day failed to halt the slide in either US Treasuries or dollar-denominated Eurobonds. The $1.5bn global bond for the World Bank traded late yesterday at 99.33 bid, about ⅛ point below Friday's level, with the spread over Treasuries widening slightly from launch.

Sterling Eurobonds fell in line with prices in UK government gilts, dragging down prices of several new building society issues launched on Friday. Among them was a fixed-rate, five-year £100m issue for Nationwide Anglia which carried a coupon of 13⅝ per cent. The deal was not seen to have been widely traded, with each of the four co-lead managers carrying ticket sizes of only £2m apiece. UBS Phillips & Drew said it had placed most of its £92m portion of the issue.

However, traders said there was little appetite for fixed-rate sterling debt with the spectre of higher interest rates on the horizon. The lead manager quoted the issue at less two bid with a narrower spread to gilts than at launch. However, some traders said the issue had traded at a deeper discount of about less 2.15 per cent.

### Bond service

The FT/AIBD International Bond Service table was not carried in the first edition of yesterday's FT and was incomplete in later editions, owing to technical difficulties in receiving the data. The complete table appears on Page 26 today.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **D-MARKS** | | | | | | |
| New Zealand(b)‡◆ | 500 | -⅛ | 100 | 1995 | 20/10bp | Commerzbank |
| **LIRE** | | | | | | |
| Crediop(c)◆ | 150bn | 13¼ | 101⅜ | 1995 | 1⅞/1¼ | B. Commerciale Italiana |
| **SWISS FRANCS** | | | | | | |
| DSM NV(c)★★◆ | 100 | 7¾ | 100½ | 1995 | 1⅝ | Credit Suisse |
| Hessische LB G'zen.(c)★★◆ | 75 | 7½ | 101 | 1997 | 1⅝ | J.P. Morgan Secs.(Switz) |
| **US DOLLARS** | | | | | | |
| DBS Land Ltd.♦ | 75 | 1 | 100 | 1995 | 2¼/1½ | Daiwa Europe/Nomura Int. |
| **YEN** | | | | | | |
| Societe Generale Accept.(a)◆ | 10bn | (a) | 100⅜ | 1991 | ⅜/½ | Bankers Trust Int. |
| Toronto-Dominion Bank(a)◆ | 10bn | (a) | 100⅜ | 1991 | ⅜/½ | Bankers Trust Int. |

★★Private placement. ♦With equity warrants. ‡Floating rate notes. ◆Final terms. a) First coupon pays 3-month Libor flat, then 14.36% thereafter. Redemption linked to Nikkei stock index. b) Coupon pays ⅛ under 6-month Libor. Non-callable. c) Non-callable.

# DTB suffers first systems breakdown

By Katharine Campbell in Frankfurt

THE Deutsche Terminbörse, Germany's new options exchange, suffered its first systems failure yesterday, after three weeks of livelier trading than expected.

Exchange officials attributed the breakdown to a software problem, now rectified, the cause of which they have yet to determine.

Traders speculated that the trouble might have resulted from Deutsche Bank shares, which went ex rights yesterday, entailing a change in all strike prices as well as in the contract size. The exchange said that this had been expected and was unlikely to have been the cause.

A total of 16,191 contracts were traded, making it one of the quieter days since the DTB's launch on 26 January. Turnover was less than half Friday's record of 32,499 lots.

When the problems developed, shortly after midday, trading immediately switched to over-the-counter telephone contact, a procedure that had been rehearsed during the simulation phase.

Normal trading resumed about 1½ hours later, after the Frankfurt stock exchange's close. One trader noted a "certain reluctance" for market-makers to quote on the OTC mechanism, adding that the market was still new.

# LONDON MARKET STATISTICS

## FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Mon Feb 19 1990 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1990 to date | Fri Feb 16 Index No. | Thu Feb 15 Index No. | Wed Feb 14 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (203) | 861.68 | -0.9 | 13.14 | 4.95 | 9.27 | 1.62 | 869.48 | 869.42 | 873.51 | 924.91 |
| 2 | Building Materials (27) | 1052.59 | -0.6 | 14.96 | 5.36 | 8.33 | 0.50 | 1059.06 | 1051.69 | 1065.71 | 1171.21 |
| 3 | Contracting, Construction (37) | 1447.23 | -0.8 | 17.08 | 5.47 | 7.67 | 0.67 | 1458.50 | 1457.48 | 1481.43 | 1691.49 |
| 4 | Electricals (10) | 2442.60 | -0.9 | 11.02 | 5.09 | 11.41 | 0.75 | 2465.83 | 2462.70 | 2489.78 | 2686.93 |
| 5 | Electronics (30) | 1891.14 | -1.3 | 9.22 | 3.82 | 14.03 | 10.21 | 1915.82 | 1933.23 | 1915.95 | 2009.81 |
| 6 | Engineering-Aerospace (8) | 420.08 | -2.0 | 14.39 | 5.25 | 8.53 | 0.04 | 428.45 | 429.25 | 432.42 | 0.00 |
| 7 | Engineering-General (44) | 463.10 | -0.6 | 12.12 | 5.09 | 9.94 | 1.28 | 466.05 | 464.05 | 460.48 | 0.00 |
| 8 | Metals and Metal Forming (6) | 465.88 | -1.8 | 25.31 | 6.45 | 4.46 | 0.00 | 474.25 | 472.84 | 477.85 | 527.83 |
| 9 | Motors (16) | 364.12 | -0.9 | 14.54 | 5.79 | 8.06 | 0.00 | 367.42 | 366.21 | 366.25 | 332.43 |
| 10 | Other Industrial Materials (25) | 1556.80 | -0.5 | 10.85 | 4.63 | 10.72 | 3.06 | 1564.38 | 1564.72 | 1567.24 | 1521.35 |
| 21 | CONSUMER GROUP (177) | 1254.06 | -1.3 | 9.01 | 3.79 | 13.08 | 3.05 | 1270.34 | 1262.15 | 1251.59 | 1185.54 |
| 22 | Brewers and Distillers (22) | 1463.21 | -1.0 | 9.55 | 3.60 | 12.92 | 6.54 | 1477.25 | 1471.44 | 1459.39 | 1307.72 |
| 25 | Food Manufacturing (19) | 1085.05 | -1.2 | 9.88 | 4.08 | 12.68 | 1.70 | 1098.50 | 1090.54 | 1089.54 | 1055.50 |
| 26 | Food Retailing (16) | 2302.14 | -1.3 | 8.81 | 3.29 | 14.72 | 6.99 | 2333.10 | 2306.16 | 2281.27 | 2055.02 |
| 27 | Health and Household (13) | 2450.84 | -1.5 | 6.39 | 2.67 | 18.65 | 0.20 | 2488.54 | 2472.29 | 2431.06 | 2154.64 |
| 29 | Leisure (33) | 1564.63 | -1.2 | 8.57 | 3.79 | 14.37 | 4.83 | 1582.91 | 1579.41 | 1577.96 | 1592.25 |
| 31 | Packaging & Paper (13) | 572.32 | -0.6 | 12.28 | 5.42 | 10.29 | 0.90 | 575.90 | 576.73 | 573.60 | 602.68 |
| 32 | Publishing & Printing (17) | 3485.25 | -1.0 | 9.28 | 5.05 | 13.75 | 21.20 | 3519.82 | 3512.70 | 3524.73 | 3771.23 |
| 34 | Stores (31) | 790.58 | -1.6 | 11.01 | 4.74 | 11.02 | 1.78 | 803.60 | 794.35 | 783.71 | 775.46 |
| 35 | Textiles (13) | 503.76 | -1.5 | 11.48 | 5.95 | 10.57 | 0.27 | 511.32 | 510.40 | 507.30 | 519.41 |
| 40 | OTHER GROUPS (103) | 1174.91 | -0.9 | 10.88 | 4.76 | 11.01 | 0.34 | 1186.03 | 1184.50 | 1176.09 | 1055.56 |
| 41 | Agencies (17) | 1583.72 | -1.5 | 6.62 | 2.36 | 18.59 | 0.05 | 1608.23 | 1601.00 | 1586.23 | 1253.08 |
| 42 | Chemicals (22) | 1179.92 | -1.3 | 12.85 | 5.46 | 9.17 | 0.57 | 1195.03 | 1194.07 | 1197.75 | 1207.15 |
| 43 | Conglomerates (13) | 1607.14 | -0.9 | 11.18 | 6.10 | 10.51 | 0.00 | 1622.32 | 1620.62 | 1602.96 | 1404.13 |
| 44 | Transport (13) | 2258.79 | ...... | 10.71 | 4.25 | 11.89 | 2.08 | 2258.50 | 2252.00 | 2237.03 | 2314.82 |
| 46 | Telephone Networks (2) | 1238.13 | -1.5 | 10.26 | 4.14 | 12.68 | 0.00 | 1257.61 | 1260.09 | 1248.94 | 1105.07 |
| 47 | Water (10) | 2071.88 | -0.3 | 16.82 | 6.54 | 6.58 | 0.00 | 2079.08 | 2063.17 | 2021.94 | 0.00 |
| 48 | Miscellaneous (26) | 1874.55 | -0.3 | 9.49 | 4.39 | 11.88 | 0.91 | 1881.10 | 1877.10 | 1877.99 | 1472.56 |
| 49 | INDUSTRIAL GROUP (483) | 1144.18 | -1.1 | 10.60 | 4.38 | 11.54 | 1.86 | 1156.68 | 1152.09 | 1147.62 | 1101.00 |
| 51 | Oil & Gas (17) | 2432.68 | -1.1 | 9.93 | 4.87 | 13.32 | 6.21 | 2458.52 | 2438.32 | 2419.18 | 1923.64 |
| 59 | 500 SHARE INDEX (500) | 1250.87 | -1.1 | 10.50 | 4.45 | 11.77 | 2.20 | 1264.40 | 1259.41 | 1253.05 | 1171.29 |
| 61 | FINANCIAL GROUP (114) | 821.31 | -1.1 | – | 5.18 | – | 0.99 | 830.11 | 825.39 | 822.65 | 754.52 |
| 62 | Banks (9) | 863.13 | -1.3 | 19.85 | 5.82 | 6.62 | 1.40 | 874.64 | 866.99 | 863.18 | 756.65 |
| 65 | Insurance (Life) (7) | 1351.96 | -1.1 | – | 4.91 | – | 0.00 | 1366.68 | 1363.03 | 1364.06 | 1046.74 |
| 66 | Insurance (Composite) (7) | 700.19 | -1.1 | – | 5.40 | – | 0.00 | 707.94 | 702.93 | 701.53 | 601.25 |
| 67 | Insurance (Brokers) (6) | 1115.18 | +0.5 | 6.62 | 5.65 | 20.09 | 0.00 | 1109.91 | 1100.77 | 1098.58 | 1024.38 |
| 68 | Merchant Banks (8) | 499.65 | -0.3 | – | 3.56 | – | 0.04 | 501.22 | 499.91 | 495.84 | 351.82 |
| 69 | Property (49) | 1149.45 | -1.1 | 7.94 | 3.78 | 15.93 | 1.30 | 1162.34 | 1150.01 | 1154.82 | 1306.83 |
| 70 | Other Financial (28) | 330.03 | -0.5 | 13.15 | 6.40 | 10.04 | 1.75 | 331.57 | 331.07 | 330.73 | 387.85 |
| 71 | Investment Trusts (68) | 1212.30 | -0.6 | – | 3.04 | – | 1.19 | 1220.23 | 1216.05 | 1216.53 | 1072.16 |
| 91 | Overseas Traders (5) | 1408.99 | -1.0 | 10.79 | 6.49 | 10.90 | 30.79 | 1423.65 | 1407.78 | 1407.05 | 1415.68 |
| 99 | ALL-SHARE INDEX (687) | 1147.05 | -1.1 | – | 4.53 | – | 2.04 | 1159.33 | 1154.36 | 1149.07 | 1069.39 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Feb 16 | Feb 15 | Feb 14 | Feb 13 | Feb 12 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX♦ | 2297.1 | -28.8 | 2318.1 | 2294.9 | 2325.9 | 2313.8 | 2298.3 | 2293.2 | 2286.9 | 2065.8 |

## FIXED INTEREST

| | PRICE INDICES | Mon Feb 19 | Day's change % | Fri Feb 16 | xd adj. today | xd adj. 1990 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years | 114.26 | -0.32 | 114.62 | – | 2.02 |
| 2 | 5-15 years | 122.28 | -0.75 | 123.79 | 0.58 | 2.18 |
| 3 | Over 15 years | 129.58 | -1.11 | 131.03 | – | 1.46 |
| 4 | Irredeemables | 147.40 | -0.86 | 148.67 | – | 0.00 |
| 5 | All stocks | 122.02 | -0.64 | 123.12 | 0.31 | 2.06 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years | 139.19 | -0.14 | 139.38 | – | 0.94 |
| 7 | Over 5 years | 133.76 | -0.57 | 134.53 | – | 0.81 |
| 8 | All stocks | 134.06 | -0.54 | 134.78 | – | 0.82 |
| 9 | Debentures & Loans | 101.97 | +0.53 | 101.43 | – | 1.14 |
| 10 | Preference | 80.10 | +0.08 | 80.03 | – | 0.86 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Mon Feb 19 | Fri Feb 16 | Year ago (approx.) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low | 5 years | 10.93 | 10.78 | 8.97 |
| 2 | Coupons | 15 years | 10.62 | 10.49 | 8.82 |
| 3 | | 25 years | 10.52 | 10.39 | 8.74 |
| 4 | Medium | 5 years | 12.15 | 11.98 | 10.23 |
| 5 | Coupons | 15 years | 11.01 | 10.87 | 9.26 |
| 6 | | 25 years | 10.64 | 10.51 | 8.86 |
| 7 | High | 5 years | 12.25 | 12.11 | 10.35 |
| 8 | Coupons | 15 years | 11.22 | 11.06 | 9.47 |
| 9 | | 25 years | 10.78 | 10.62 | 9.02 |
| 10 | Irredeemables† | | 10.54 | 10.44 | 8.69 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 4.64 | 4.58 | 3.38 |
| 12 | Inflation rate 5% | Over 5 yrs. | 4.01 | 3.96 | 3.47 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 3.65 | 3.59 | 2.39 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.82 | 3.78 | 3.38 |
| 15 | Debs & | 5 years | 13.48 | 13.51 | 11.88 |
| 16 | Loans | 15 years | 12.74 | 12.82 | 11.29 |
| 17 | | 25 years | 12.73 | 12.81 | 10.70 |
| 18 | Preference† | | 11.52 | 11.53 | 10.84 |

♦Opening index 2317.9; 10 am 2306.7; 11 am 2306.9; Noon 2309.9; 1 pm 2309.0; 2 pm 2307.9; 3 pm 2305.5; 3.30 pm 2304.8; 4 pm 2300.3
(a) 9.03am (b) 4.16pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
NAME CHANGES: (12/2/90) Whatman Reeve Angel (27) has become Whatman. (19/2/90) Fenner (J.H.) Holdings (7) has become Fenner.

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 0 | 92 | 6 |
| Corporations, Dominion and Foreign Bonds | 8 | 8 | 21 |
| Industrials | 187 | 524 | 887 |
| Financial and Properties | 80 | 260 | 356 |
| Oils | 13 | 43 | 36 |
| Plantations | 2 | 1 | 7 |
| Mines | 52 | 33 | 73 |
| Others | 23 | 98 | 125 |
| Totals | 365 | 1,059 | 1,511 |

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price | Am'nt Paid up | Latest Renunc. Date | 1989/90 High | 1989/90 Low | Stock | Closing Price | +or - | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| $100 | F.P. | – | 101 | 93 | Abtrust New Thai Inv | 95 | -1 | – | – | – | – |
| 5 | F.P. | – | 61 | 45 | Do. Warrants | 48 | | – | – | – | – |
| – | F.P. | – | 1½ | ¼ | Atlantic Res. Warrants | 1 | | – | – | – | – |
| 100 | F.P. | – | 101 | 100 | BZW Conv. Inv. Tst. 10p | 100 | | – | – | – | – |
| – | F.P. | – | 4¼ | 1 | Bear Brand Warrants | 2¾ | | – | – | – | – |
| $42 | F.P. | – | 45 | 37 | *Biocure 1p | 39 | -1 | – | – | – | – |
| † | F.P. | – | 300 | 300 | *Chartwell Group £1 | 300 | | M1.0 | – | 0.4 | – |
| † | F.P. | – | 215 | 215 | *Citystead Storage Serv. £1 | 215 | | – | – | – | – |
| – | F.P. | – | 49 | 38 | First Philipps Inv. Tst. | 41 | | – | – | – | – |
| – | F.P. | – | 22 | 17 | Do. Warrants | 20 | | – | – | – | – |
| † | F.P. | – | 59 | 56 | Gartmore Emg. Pac. 10p | 57 | | M0.1 | – | 0.2 | – |
| † | F.P. | – | 26 | 23 | Do. Warrants | 24 | | – | – | – | – |
| 150 | F.P. | – | 145 | 138 | Goldsmiths Group 10p | 139 | | R5.1 | 1.8 | 4.9 | 12.9 |
| [illegible] | | | | | | | | | | | |

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. ‡‡ Reintroduction. ♦ Unlisted securities market. * Third Market.

## TRADITIONAL OPTIONS

- First Dealings — Feb 19
- Last Dealings — Mar 2
- Last Declarations — May 24
- For settlement — June 4

*For rate indications see end of London Share Service*

Calls in Apricot Computers, Aviva Pet., Bear Brand, Coloroll, Conroy Pet., Eurotunnel warrants, Next, Oliver Res., Owners Abroad, Rosehaugh and Saatchi & Saatchi. Put in News Corp.

## LONDON TRADED OPTIONS

THE MARKET had one of its quietest days so far this year, as stock-market volume declined. The closure of Wall Street for a holiday was partly responsible for the slacker pace. But the 28-point decline in the FT-SE 100 index and jitters in world bond markets also made investors reluctant to take positions.

Total market volume amounted to 25,986 contracts, compared with 29,307 on Friday. Yesterday's trade comprised 14,409 calls and 11,547 puts. In spite of the recent lack of business, the number of contracts outstanding at the end of business on Friday rose to 861,864 lots, against 854,234 on Thursday.

In line with recent trends, the FT-SE option index accounted for approximately 25 per cent of the market's activity. A total of 6,254 contracts changed hands, of which 2,309 were calls and 3,945 were puts.

Trading in FT-SE options was sluggish until the last few minutes, when aggressive US selling of FT-SE March contract pushed futures prices below the cash index. FT-SE options are priced using the futures market, and this late disturbance forced prices of calls to fall and puts to rise.

Hanson was the busiest of the stock options, trading 3,236 contracts, all of which were calls. Turnover in Hanson was boosted by a large technical trade. James Capel sold 1,000 February 220 calls at 9½p and bought 2,000 of the May 240 calls at 10p. The transaction rolled an existing position over from February, which expires tomorrow, into May. But the trade was also bullish since it doubled the exposure to Hanson.

An order to sell 1,000 British Gas September 240 calls at 13p against stock by James Capel made it the second busiest. In total 1,433 lots traded, comprising 1,230 calls and 203 puts. British Steel featured as Anglo Pierson bought 695 of the October 130 puts at 7p, which was a long-term hedge.

| Option | | Calls Apr | Calls Jul | Calls Oct | Puts Apr | Puts Jul | Puts Oct |
|---|---|---|---|---|---|---|---|
| Allid Lyons (*474) | 420 | 70 | 78 | – | 2½ | 7 | – |
| | 460 | 38 | 47 | 65 | 10 | 18 | 20 |
| | 500 | 14 | 25 | 43 | 30 | 37 | 42 |
| ASDA (*111) | 110 | 11 | 17 | 20 | 7½ | 9 | 12 |
| | 120 | 7 | 13 | 16 | 12 | 15 | 17 |
| Brit. Airways (*200) | 180 | 26 | 30 | 36 | 2½ | 6 | 8 |
| | 200 | 13 | 16 | 24 | 9 | 15 | 16 |
| | 220 | 4½ | 8 | 16 | 22 | 27 | 29 |
| [illegible] | | | | | | | |

| Option | | Calls Apr | Calls Jul | Calls Oct | Puts Apr | Puts Jul | Puts Oct |
|---|---|---|---|---|---|---|---|
| Ultramar (*379) | 360 | 32 | 47 | 60 | 10 | 13 | 18 |
| | 390 | 16 | 32 | 42 | 25 | 28 | 30 |

| Option | | Calls Feb | Calls May | Calls Aug | Puts Feb | Puts May | Puts Aug |
|---|---|---|---|---|---|---|---|
| Brit Aero (*511) | 500 | 15 | 37 | 55 | 3½ | 27 | 33 |
| | 550 | 1 | 19 | 35 | 42 | 58 | 65 |
| BAA (*377) | 360 | 19 | 37 | 45 | 2 | 11 | 16 |
| | 390 | 1 | 20 | 28 | 15 | 24 | 28 |
| [illegible] | | | | | | | |

| Option | | Calls Mar | Calls Jun | Calls Sep | Puts Mar | Puts Jun | Puts Sep |
|---|---|---|---|---|---|---|---|
| Abbey Nat. (*180) | 180 | 6 | 11 | 16 | 9 | 12 | 15 |
| | 200 | 2 | 5 | 9 | 28 | 29 | 30 |
| Amstrad (*56) | 50 | 8 | 11 | 16 | 2 | 5 | 6½ |
| | 60 | 3 | 7 | 10½ | 7 | 9½ | 11½ |
| Barclays (*550) | 550 | 18 | 34 | 45 | 25 | 28 | 37 |
| | 600 | 4 | 15 | 27 | 67 | 67 | 69 |
| Blue Circle (*234) | 220 | 18 | 24 | 32 | 3 | 9 | 13 |
| | 240 | – | 13 | 21 | – | 19 | 22 |
| [illegible] | | | | | | | |

FT-SE INDEX (*2299)

[illegible]

February 19 Total Contracts 25,986. Calls 14,409 Puts 11,547. FT-SE Index Calls 2309 Puts 3945. Euro FT-SE Calls 325 Puts 795. *Underlying security price. † Long dated expiry months.

## UK COMPANY NEWS

# GrandMet chief rules out rights to fund swap deal

**By Philip Rawstorne**

MR ALLEN SHEPPARD, chairman of Grand Metropolitan, has ruled out any question of a rights issue to help fund his expected swap of breweries for pubs with Elders IXL.

"Forget nonsense rumours about a rights issue," he said at GrandMet's annual meeting. "We have no such need or intention."

Mr Sheppard confirmed that GrandMet was at an advanced stage of its deliberations on the future of its brewing operations. But, he added, "it would not be in the group's interests for me to elaborate today as this could prejudice our negotiations. We will make an announcement and inform shareholders as soon as possible."

"Whatever we propose will be strategically relevant as well as financially attractive."

A deal may be announced on Friday. It is expected to be a complex affair, involving the transfer of most, if not all, GrandMet's breweries to Elders' UK subsidiary, Courage.

It may also involve establishing a joint holding company for Courage's 5,000 pubs and GrandMet's 3,300-strong tenanted estate; and possibly a GrandMet stake in Elders' equity.

Mr Sheppard told GrandMet's shareholders yesterday that the company's balance sheet was "in dramatically better shape than a year ago."

"This year will see yet another record profit – and, more significantly, we will achieve this and good cash flows despite spending record amounts on research and development, new products, brand building, and upgrading our facilities and outlets."

Benefits from the strategy followed in recent years were now showing clearly, he said. "Our business is now well balanced between portfolios and geographical spread is protecting us from the slowdown currently taking place in the UK. GrandMet enters the 1990s full of realistic optimism."

# Others may top Stratagem's 163p offer for Colonnade

**By Andrew Bolger**

COLONNADE DEVELOPMENT Capital, the small investment company which is the target of a hostile 163p-per-share cash bid, said yesterday that it was in talks with a number of parties which might lead to an offer appreciably in excess of the offer from Stratagem Group, the investment company.

Colonnade said that, pending a further announcement by Friday, it advised shareholders neither to accept Stratagem's offer nor to sell their shares.

The Stock Exchange had earlier criticised the conduct of Stratagem. Its committee of quotations said Stratagem had broken SE rules by failing to obtain prior shareholders' approval for its purchase of shares in Colonnade, which were suspended at 165p last week.

After its announcement the SE allowed trading to resume in shares of Colonnade, which finished the day unchanged at 165p. Stratagem shares remained at 175p.

The committee said that Stratagem bought 1.17m shares in Colonnade at a cost of £1.86m between September 27 and February 10.

Because this expenditure exceeded 25 per cent of Stratagem's net assets, it was a "Super Class 1" transaction and should have been approved by a general meeting of shareholders.

The committee also said that Stratagem should refrain from purchasing further shares in Colonnade and should not exercise the voting rights in respect of the shares already held by it until shareholders had approved its purchases.

Stratagem said it accepted that, although it had received irrevocable undertakings to approve the Colonnade purchases from a majority of its own shareholders, the purchases should have been deferred until after its extraordinary general meeting today, which is to approve the launching of the bid.

Accordingly it had called an extraordinary meeting on March 5 to ratify the purchases of the stocks.

This meeting will take place prior to the Colonnade extraordinary meeting of the same day.

Mr Bernard Kerrison, chairman of Stratagem, said he was seeking legal advice on the committee's ruling that Stratagem should refrain from buying more Colonnade shares or exercising its voting rights.

Mr Kerrison said that Stratagem now owned or had acceptances for its offer in respect of 29.35 per cent of Colonnade's ordinary shares, although the 25 per cent it owned could not be counted towards the offer acceptance conditions while it was barred from voting them. It had received indications of support in respect of a further 28.82 per cent.

# GGT grows further in US with $48.5m buy

**By David Owen**

GOLD GREENLEES Trott, the UK advertising agency, is expanding further into the US with the purchase of GSD&M, the third largest agency in Texas, for up to $48.5m (about £28.5m).

The move is GGT's third US acquisition in less than two years. Previous targets have been Atlanta-based Babbit & Reiman and Martin-Williams of Minneapolis.

Under the terms of the deal, an initial consideration of $13.5m is payable, with further deferred amounts up to $35m to be tendered dependent upon GSD&M's future profit performance.

Up to $27m will relate to profitability for the three years ending December 31 1991, with a further $8m relating to the four years to April 30 1995.

According to Mr Michael Greenlees, GGT chief executive, it is "reasonably likely" that the group will end up paying the full $48.5m consideration for its Texan quarry.

"To reach that maximum, they would have to grow year on year by about 25 per cent," he said.

In the nine months ended September 30 1989, GSD&M reported pre-tax profits of $2.91m on turnover of $94.74m.

The group, whose clients include Wal-Mart Stores, Coors Brewing and Southwest Airlines, is rated the 57th largest US agency.

Finance for the deal is being provided by a fixed rate medium-term loan from The Prudential Insurance Company of America, arranged by PIC Capital Group in London.

Prudential is to subscribe up to $38m in total – in two tranches of $30m and $8m – for guaranteed senior GGT notes.

The first tranche will be used to pay the initial consideration together with acquisition expenses, and to refinance $8m-$10m of debt in GGT's other US businesses.

The second will be available to finance deferred consideration payments that may become due.

Mr Greenlees said that the group's net debt "at the end of the exercise" would amount to some £7m. The current deal is "structured to be self-liquidating", he added.

# Knowing the worth, but not the value

## Nikki Tait on some of the arguments in the Axa/Farmers Hoylake/BAT imbroglio

GIVEN THE number of lawyers involved in the struggle between BAT Industries and Sir James Goldsmith, it was always likely that some intricate legal areas would be explored.

But if any issue exemplifies the daunting detail with which BAT is battering its opponents it is the dispute over the sale agreement between Sir James' Hoylake consortium and Axa-Midi Assurances, the French group, for Farmers Group, BAT's US insurance subsidiary.

Late last week, Ms Gilberte Beaux, the French business associate of Sir James and a Hoylake director, sat in downtown Los Angeles testifying to near-farcical arrangements – involving "phantom boards" and "phantom advisers" – which might allow such a disposal to proceed without criminal breaches of the Companies Act.

The more awkward fact is that many of the arguments that BAT has raised are not particularly specific to this case. Other would-be bidders, aiming to pre-sell some of their targets' assets, might be spared such relentless opposition, but they could still do well to note the debate.

BAT's complaint has centred on the fact that Hoylake, assuming it wins control of the conglomerate, plans to make BAT sell Farmers to Axa for $4.5bn.

The sale price, BAT contends, is less than Farmers is worth. Axa would pay half the purchase price from the proceeds of the 10-year-term loan and half by issuing Hoylake with two- to three-year loan notes, which Hoylake would then sell on.

Such a sale at undervalue, BAT has suggested, could lead to a criminal breach of section 151 of the Companies Act. This is the section which prohibits a company from giving financial assistance for the purchase of its own shares and which is currently prominent in the Guinness trial. Hoylake, runs the argument, would essentially be using BAT's assets to buy BAT shares.

Last week, Axa – hitting back at the problems raised – flew Mr William Stubbs QC, an English barrister, to the Illinois hearing in Chicago. Over a two-day session, Mr Stubbs helpfully recalled a 1979 Court of Appeal judgment which indicated that there was nothing illegal about procuring a sale at undervalue in these sort of circumstances, provided the procurer subsequently "topped up" the difference between the sale price and the true value.

Sir James: banking on the best banking brain in France

To complicate the issue, however, he threw in the issue of "fiduciary duty". Because Farmers would technically be owned by BAT – even if Hoylake had gained 51 per cent of BAT's shares – a responsibility for ensuring that a sale took place at fair value would remain with BAT directors. This responsibility would persist even if Hoylake had changed the entire BAT board.

And how could "fair value" be established? The answer, it was suggested, would involve an independent valuer looking at the state of the business, utilising internal information and coming up with a considered assessment.

Hoylake and Axa have clearly decided that Mr Stubbs had better be trusted. Ms Beaux dutifully laid out a scenario which Hoylake would follow if it won control of BAT. It would immediately discount the Axa loan notes and pass only cash on to BAT. It would create a "phantom" BAT board, assisted by nameless "phantom advisers". And, if necessary, Hoylake would top up the $4.5bn payment from Axa to BAT to whatever figure an independent valuer said Farmers was worth.

"This," remarked Ms Beaux, "is not the real world." That however has not stopped BAT glowing with some triumph. "If they have to go to these lengths it shows that there's a real problem," it commented.

What nobody mentioned was that getting agreement on the value of Farmers is probably well nigh impossible in the current circumstances.

The future prosperity of its core property and casualty insurance business may well depend on what the California Insurance Commissioner chooses to do about Proposition 103, the insurance reform legislation triggered by consumer resistance to escalating automobile rates.

Nevertheless, Hoylake remains resolutely pragmatic. Apparently the first reaction of Ms Beaux – once described by Sir James as the best banking brain in France – was to ask whether there would be any compensating requirements for Axa to refund Hoylake if the Farmers sale price were shown to be an overvalue. The answer, on best legal advice, was no.

# Acquisitions and improved productivity boost Fii

**By David Owen**

Fii Group, one of the largest UK footwear manufacturers, yesterday reported a solid advance in interim profits, reflecting both improved productivity and the contributions of recent acquisitions.

Pre-tax profit for the half year to November 30 rose by 24.5 per cent from £3.23m to £4.02m. Turnover climbed by close to 13 per cent from £32.8m to £37m.

The London-based group, whose brands include Lotus, produced more pairs of shoes than in any previous first half.

It attributed this to the speed of its response to customer requirements. This helped it to overcome the problems which have beset many shoe companies as a result of import levels that are running at some 65 per cent of the UK market.

The growing scientific and technical division, which specialises in the manufacture and distribution of medical and laboratory equipment, contributed 14.7 per cent of overall pre-tax profits, against 5.9 per cent in the corresponding 1988 period.

Fii described the performance of recently-acquired units as satisfactory. The results of both Luckham and Bilbate were included for the full six months, while those of Micro Movements - a recording instrument manufacturer bought last summer for a maximum of £4.33m - were included from July 14.

The company, which had a cash balance of £7.8m at the end of the half year, has raised its interim dividend from 3.5p to 4p. In addition, a special so-called "silver jubilee" dividend of 1p, commemorating the 25th anniversary of the group's establishment, will be paid.

Earnings per share rose by 13.3 per cent from 16.6p to 18.8p.

# Overlapping at Medeva leads to resignations

**By David Owen**

FOUR SENIOR executives of Medeva, the recently merged drugs company, resigned yesterday as full-time employees and directors in a parting described by the group as "amicable."

The quartet – Mr David Moffatt, Mr Mark Wheeler, Mr Bruce Tomason and Mr Barry Meacham – were leading lights in Evans Healthcare, the generic drugs and vaccines maker which was the product of a management buy-out from Glaxo in 1986.

Evans was bought last month for £87m by Medirace, a much smaller company that is developing the drug Contractan for AIDS and cancer treatment. Upon the approval of the takeover, the group's name was changed to Medeva.

The development comes within a week of the appointment of Mr Bernard Taylor, another former Glaxo executive, as Medeva executive chairman. Mr Taylor was ousted last May from Britain's biggest medicines company.

Mr Taylor explained the decision yesterday in terms of overlapping responsibilities. "When we talked through our respective roles we discovered we were falling over each other", he said.

"The decision was a very simple one. The company can manage well with its Medeva board and with the senior management that operates the Evans organisation."

Mr Steve Mountain and Mr Mark Watson were recently appointed managing directors of the two principal Evans operating units. They will report directly to Mr Taylor who, for the time being, assumes the role of Evans chief executive, although he says he is looking for a successor.

The four are to remain consultants to Evans.

## BSB wins backing for further funding

Shareholders in Pearson and Reed International, two of the biggest shareholders in British Satellite Broadcasting, yesterday voted in favour of participation in a £900m financing package.

BSB's four biggest shareholders are together to provide £450m worth of equity guarantees as part of the package. Aside from Pearson and Reed, the other two are Chargeurs and Granada.

## Throgmorton Dual sees net assets slide

Throgmorton Dual Trust saw its net asset value per capital share slide from the 773.5p at January 31 1989 to 753.8p at the same date this year.

Net asset value per income share was fractionally down at 37.6p, from 37.8p.

However net revenue rose to £955,000 (£758,000) and earnings were up at 4.15p (3.3p) per share. The interim dividend is lifted from 2.25p to 2.75p.

## High interest rates hit JE Crowther

The prevailing high interest rates reduced demand for John Edward Crowther(Holdings) products, whose activities are primarily of yarn spinning but with interests in property and building, and resulted in a loss on trading for the six months to September 30 1989. At the pre-tax level, there was a deficit of £118,191 compared with a profit last time of £586,098.

Turnover for the period was down from £7.51m to £6.65m.

# Electronic Machine £4.5m buy

Electronic Machine has agreed to acquire Keelquest for £4.5m and disposed of its subsidiary Davin Optical.

Keelquest, a provider of freight forwarding facilities principally for the international film and TV industries, has conditionally agreed to acquire Filmbond Services, to create the largest specialist storage and distribution company for the film and TV industry in the UK.

# GT Chile dealings start

**By Clare Pearson**

STOCK market dealings began yesterday in the GT Chile Growth Fund, set up to raise $100m for investment in Chilean debt and equity securities.

Units of one ordinary share plus one fifth of a warrant, issued at $10.60, were quoted at $11 yesterday. The placing of 10m ordinary shares and 2m warrants was carried out by Baring Securities.

The fund is to be managed by San Francisco-based GT Capital Management, a subsidiary of GT Management. It intends to invest principally in Chilean equity securities quoted on the Santiago and Valparaiso stock exchanges.

## Sims Food placing to repay borrowings

Sims Food Group is raising £2.3m to eliminate borrowings which came with the recent acquisition of 76 per cent of Woodhouse Hume.

County NatWest Wood Mackenzie has placed 852,000 shares with institutional investors to raise the money. The shares represent 3.9 per cent of the current capital and will rank for any final dividend in respect of the year to March 31 1990.

## Rex Williams pulls out of pool tables

Rex Williams Leisure is selling 830 pool tables to MAM Leisure, part of the Chrysalis Group, for over £600,000 in cash. This compares with an asset value of £380,000, thereby generating a profit over book value of £200,000.

Turnover of the pool table division for the year to May 31 1989 was over £550,000. USM-quoted Rex Williams said that in selling its pool table division at a substantial profit, it would be retaining its snooker division and at the same time looking to expand the rest of its gaming activities.

## Camellia advances 22% to £2.11m

A 22 per cent increase in profit was achieved by Camellia Investments for 1989.

The group, which has interests in fine art and tea plantations, turned in £2.11m pre-tax, against £1.73m, on turnover advancing 66 per cent to £4.39m (£2.64m).

With earnings moving ahead from 47.73p to 61.14p, the final dividend is 14p for a total of 23p, compared with 20p.

## Oakhill has 23% of Hartwell

Oakhill has received valid acceptances in respect of 14.54m Hartwell ordinary shares (18.4 per cent) and 67,748 convertible preference (0.2 per cent).

Total owned or in respect of which valid acceptances have been received is 23.02m ordinary (29.1 per cent) and 15.86m convertible preference (45.3 per cent). Increased and final offers and loan note alternative close 1pm on March 12.

## UK COMPANY NEWS

# Lord Stokes to head Reliant

By Clare Pearson

LORD STOKES of Leyland, *former chairman of British* Leyland, is to take over as non-executive chairman of Reliant Group, the USM-quoted vehicles and property group, in succession to Mr John Nash.

The Staffordshire-based company, subject to a reverse takeover by two building companies last May but aiming to build up its industrial interests, hopes Lord Stokes, 72, will help develop export markets.

Best-known as the maker of the three-wheeled Robin, Reliant is particularly hoping to build export markets for the Metrocab taxi, for which it bought the manufacturing rights from Laird Group for £4m last June.

The announcement of Lord Stokes' appointment came as Reliant unveiled pre-tax profits for the year to end-September – a period of major reorganisation – of £1.94m (£2.32m) on turnover of £31.03m (£24.95m).

Mr Carl Turpin, chief executive, also yesterday revealed the company was last month contacted by a party claiming to be a potential bidder. This came just prior to volatile movements in its share price, which are currently being looked into by the Stock Exchange.

Mr Turpin said he and Mr Chris Johnson, deputy chairman, had told the party to contact Reliant's stockbroker. No approach was received by Guidehouse Securities, the broker.

Shortly afterwards, on January 24, Reliant's share price suffered a sharp reversal at the same time as a wire service published a report, denied by the company, that it had cash flow problems.

"We have no way of knowing whether there is any connection between the two things," Mr Turpin said. "The Stock Exchange has not uncovered anything so far."


Lord Stokes: Reliant hoping he will *develop export markets*

To the merger-accounted results, property achieved a £3.8m profit. Industrial interests recorded a pre-tax loss of £500,000. This was after extensive rationalisation and re-organisation costs, including about 40 redundancies and adjustments relating to stock write-offs from prior years.

These combined to make an exceptional item of £719,000. Taken below-the-line was a £349,000 debit for discontinuance of engine and gearbox production.

In December Reliant announced plans for a big expansion programme which included more than doubling production of the Metrocab and developing fibreglass and plastic technology operations.

On its new sports car, the SST – a restyled version of the old SS1 version launched five years ago – Reliant says it has received an order from the US for 1,000 vehicles.

The final dividend is lifted 50 per cent to 0.75p (0.5p). Earnings per share stand at 2.35p (3.17p).

# Armour Trust rises midterm to £1.16m

ARMOUR TRUST, which manufactures confectionery and makes and distributes car accessories, raised its pre-tax profit from £1.01m to £1.16m for the six months ended October 31 1989.

Turnover fell to £10.25m (£11.58m) following the sale of Kestronics; but that also gave rise to an extraordinary profit of £233,000. With earnings up to 2.81p (2.69p) the interim dividend is raised to 0.275p (0.25p).

Mr Andrew Balcombe, chairman, said at the start of the current half, turnover was below expectations, but subsequent trading had been more satisfactory with sales well ahead of last year.

Customers, particularly in the automotive division, were ordering more frequently in order to replenish their lower stockholding levels. The product range was being expanded.

The confectionery manufacturing facility in Fitzwalter Road, Sheffield became fully operational on the closure of the Attercliffe Road premises. The new headquarters and warehouse complex north of Birmingham should be completed by the end of April.

## SHARE STAKES

The following changes in company share stakes have been announced recently:

**Alphameric:** Prudential Corporation holds 1.2m ordinary (5.42 per cent).

**Apricot Computers:** Singer & Friedlander holds 16.64m shares (17.871 per cent).

**Associated Energy Services:** Harold Winton acquired 300,000 increasing stake to 6.84m shares (24.7 per cent).

**Bridport-Gundry:** Prudential Corporation has 745,781 ordinary (7.4 per cent).

**City and Commercial Investment:** Midland Bank sold 550,000 income shares, reducing total to 1.23m (5.19 per cent).

**Control Securities** bought in 4.45m *shares at 48.4p.*

**Creighton's Naturally:** Friends' Provident Life holds 320,000 ordinary (7.3 per cent).

**European Assets Trust:** Standard Life Assurance sold 210,000 reducing beneficial interest to 13.49 per cent.

**European Home Products:** Funds under management of Scottish Amicable Investment managers total 4.62m shares (8.95 per cent).

**Eurotherm International:** Scottish Amicable Investment Managershold 3.08m shares (7.14 per cent).

**Excalibur Group:** Prudential Corporation holds 2.61m ordinary(7.17 per cent).

**Halma:** Notifiable interest of NM Rothschild Asset management is 5.79m shares (6 per cent).

**Holmes and Marchant:** Barclays Bank has non-beneficial interest in 885,960 (5.05 per cent).

***Majedie Investments:*** Sir John Barlow bought 50,000 ordinary at 266p, bringing beneficial holding to 5.19m (19.8 per cent) and 1.06m as trustee. He sold 50,000 as non-beneficial shareholder and as trustee of Sir JD Barlow.

***Marley:*** Robert Fleming Holdings has under discretionary investment management an interest in 14.2m shares (5.12 per cent).

**MMT Computing:** Scottish Amicable Investment has under management 1.39m shares (12.9 per cent).

**Monument Oil and Gas:** Nimex Resources acquired further 91.49m adjusted for issue, maintaining percentage holding at 40.22. Scottish Amicable Investment Managers bought 26.22m (5.46 per cent).

**Priest Marians:** Grovewood bought 1.85m shares (13.808 per cent) from institutional shareholders, consideration being £1.19m *cash and the issue of* 2.19m shares.

**RKF Group:** John Govett has increased holding under discretionary management to 17.75 per cent.

**SEP Industrial** has bought in 35,000 preferred ordinary at 28p each, 10,000 ordinary at 28p and 15,000 ordinary at 29p. PM Formby, director, has bought 15,000 preferred ordinary at 28p.

**Unitech:** SB Operations acquired 1.66m shares lifting total to 13.17m (19.63 per cent).

**Wace Group:** Schroders group holds 3.82m ordinary (6.05 per cent) on a discretionary basis.

**Wiltshire Brewery:** Graham Axford holds 842,985 ordinary shares (14.89 per cent) including those held by companies in which he is major shareholder. Equity & Law Life owns 499,375 (8.82 per cent), Throgmorton USM Trust 325,000 (5.74 per cent), and Bishopsgate *Nominees 511,470 (9.04* per cent).

**York Trust:** Fidelity New Europe Fund bought 125,000 bringing holding to 6.84m (5.4 per cent).

# Pittencrieff ready to seek quotation

*By James Buxton, Scottish Correspondent*

PITTENCRIEFF, the privately-owned Edinburgh-based oil and gas investment holding company, intends to seek a full listing on the London Stock Exchange or quotation for its shares on the Unlisted Securities Market during 1990, it announced yesterday.

It also said it had made asset purchases in the US for a total *of $6.3m, funded mainly* by a rights issue.

Pittencrieff buys and manages oil and gas wells, attempting to purchase underperforming assets. In its last reported half-year, to June 30 1989, it made profits of £64,000.

The company said it expected shortly to begin the process of seeking a quotation, subject to stock market conditions and stable oil and gas prices.

Currently its ordinary shares are traded under Stock Exchange rule 535(2) which permits trading on a matched bargain basis.

Pittencrieff's brokers are Bell Lawrie of Edinburgh.

Pittencrieff has completed three oil and gas purchases in the past four weeks.

In January it bought interests in some 370 properties in various states in the US, predominantly in Texas, from Geovest Energy and other companies.

Pittencrieff says the purchase price of the assets, which are operated by large oil companies, was $4.1m compared with an independent valuation of $5.9m.

The assets are currently producing cashflow of $120,000 a week representing a payback period of about 3½ years.

The company also bought two smaller oil and gas asset packages for a total of $1.5m, increasing its ownership in properties acquired last year from Seahawk Oil International, which Pittencrieff bought for £2.6m.

Mr Terry Heneaghan, chief executive, said the acquisitions would "add considerably to the company's oil and gas production in the US but involve little extra administration for group management."

The purchases are mainly funded from a rights issue of convertible redeemable preference shares, underwritten by Quayle Munro, the Edinburgh merchant bank, and by institutional shareholders.

The new shares will automatically convert to ordinary shares when Pittencrieff is quoted.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Fletcher Challenge, Pilco Holdings, Really Useful.

Finals- BSG Intl., Campari Intl., Cityvision, Owners Abroad, P & P, Property Co. of London, Second Market Investment, Scottish Eastern Investment Trust.

FUTURE DATES

Interims-

| | |
|---|---|
| Cons. Plantations Berhad | Mar. 2 |
| Goodwin | Feb. 28 |
| Lowland Inv. | Apr. 30 |
| Lucas Inds. | Apr. 2 |
| Sime Darby Berhad | Mar. 3 |

Finals-

| | |
|---|---|
| Astec (BSR) | Mar. 10 |
| Conroy Petroleum | Feb. 26 |
| Cookson | Mar. 22 |
| English National Inv. | Apr. 18 |
| Grahams Rintoul Inv. Tst. | Feb. 27 |
| Ibstock Johnsen | Apr. 10 |
| Jacobs (John I.) | Mar. 15 |
| LWT Holdings | Feb. 23 |
| RMC | Apr. 11 |
| Record Holdings | Feb. 22 |
| STC | Feb. 27 |
| Takare | Feb. 28 |
| Taveners | Feb. 21 |
| Vantage Securities | Feb. 22 |
| Wickes | Mar. 14 |

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Armour Trust | int | 0.275 | May 11 | 0.25 | - | 1.2 |
| Ashtead Group § | int | 1† | Apr 6 | 0.65 | - | 2.5 |
| Camellia Invs | fin | 14 | Apr 25 | 12 | 23 | 20 |
| FII Group | int | 5‡† | May 8 | 3.5 | - | 10 |
| Reliant Group § | fin | 0.75 | Apr 26 | 0.5 | 0.75 | 0.5 |
| Throgmorton Dual | int | 2.75 | - | 2.25 | - | 7.75 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Includes 1p silver jubilee dividend.

# UK COMPANY NEWS

# Improved margins help lift Ashtead to £3.6m

By Andrew Bolger

ASHTEAD GROUP, the USM-quoted plant hire company, yesterday reported a 51 per cent increase in pre-tax profits to £3.64m in the six months to October 31.

Turnover rose 50 per cent to £15m and earnings increased by 24 per cent to 13.3p from 10.7p. The recommended interim dividend is 1p, a rise of 54 per cent.

Mr Peter Lewis, chairman, said that in spite of a more competitive market and the acquisition of companies with margins significantly below those of Ashtead at the time of their purchase, operating profit margins for the group improved to 28 per cent (26.3 per cent) and pre-tax profit margins rose to 24.3 per cent (24.1 per cent).

Although trading had remained generally strong, in parts of the south east of England there had been weaker demand for traditional items such as dumpers, rollers and compressors.

This had lowered prices for such items on a local basis, but profit margins had continued to improve because of Ashtead's wide product range, now introduced to the former Reliant Plant Hire businesses, and the concentration provided by a profit-sharing scheme on the maximising of return on investment in all of the group's depots, dubbed profit centres.

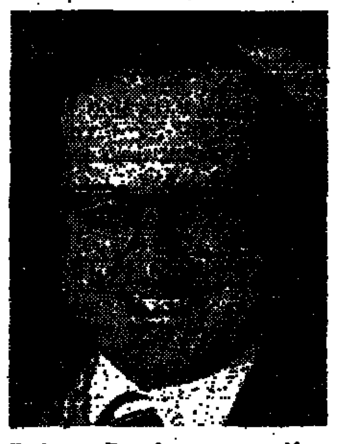
The board had taken advantage of current property prices to acquire property assets directly related to the group's trading programme.

This meant that gearing had remained steady at 53 per cent, instead of falling below 50 per cent, but interest cover was 7.6 times.

Ashtead now owned over half its 48 locations in the form of freeholds, or leaseholds with more than 50 years outstanding.

Mr Lewis said: "During the six months under review Ashtead has completed the integration of the profit centres of Reliant Plant Hire, acquired in January 1989 for £5.8m, whose historic margins were 11 per cent.

These businesses are performing well. Since July we have also purchased two small plant hire businesses in Plymouth and Hartlepool. We anticipate acquiring further bolt-on plant hire companies."



Peter Lewis: operating margins up to 28 per cent

# £6m fruit and veg buy for Fyffes

FII Fyffes has acquired the fruit and vegetable businesses of Glass Glover Group for a cash consideration of £5.8m.

The assets of the businesses, which are based in Scotland and the north of England, have a value of £5.95m and a combined turnover of some £40m a year.

Estimated pre-tax profit attributable to these businesses was about £400,000 for the year ended September 30 1989.

# Grampian Hldgs buys Glenmuir for £5.25m

Grampian Holdings has acquired Glenmuir, a wholly-owned subsidiary of Stormgard, for £5.25m.

Glenmuir, based in Lanark, Scotland, specialises in the manufacture of quality sports and leisure wear, principally specialist golf knitwear supplied directly through golf professionals.

Consideration is being satisfied by £250,000 in cash and by the issue of 3.25m new 25p Grampian ordinary, representing 4.78 per cent of the enlarged ordinary issued share capital.

In the year to March 31 1989 Glenmuir made pre-tax profits of £281,000 on a turnover of £4.7m. Net assets at that date were £2.2m. Predicted taxable profits for the year to March 1990 are £471,000.

Grampian estimates its own profits for 1989, due to be announced on March 28, at £12m, a 15 per cent increase on 1988.

# Sunday Tribune cuts losses at midway

The Sunday Tribune Group, the Irish newspaper concern which is quoted on the third market, more than halved its losses in the six months to September 30 last with a pre-tax loss of I£24,700 (£22,960), against I£54,600 last time.

The board said it has concentrated on increasing the sales of the Tribune and had achieved a major breakthrough in circulation. Audited sales figures for the six months from July to December 1989 showed sales of 101,085 – above the critical 100,000 threshold for the first time. The company expected to make further circulation gains in 1990.

Turnover for the interim period was I£3.05m (I£2.79m). Gross profits were I£1.07m (I£974,000), distribution costs were little changed at I£632,500 (I£620,500) and administration expenses amounted to I£433,900 (I£402,100). Interest payable more than doubled at I£29,900 (I£12,200). Loss per stock unit was lower at 1.4p (3.3p).







# FT/AIBD INTERNATIONAL BOND SERVICE

| US DOLLAR STRAIGHTS | Issued | Bid price | Chg on week | Yield |
|---|---|---|---|---|
| A.B.N. 9¼ 94 | 200 | 99¼ | 0 | 9.31 |
| ANFC O/S FIN. 11¼ 94 | 100 | 100⅞ | 0 | 11.46 |
| ALBERTA PROVINCE 7¾ 91 | 750 | 97¾ | 0 | 8.98 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| PEPSICO INC 7⅞ 93 | 200 | 94⅞ | –⅛ | 9.43 |
| PEPSICO CAPITAL 8⅞ 91 | 100 | 98⅞ | +⅛ | 9.61 |
| PETRO-CANADA 7⅞ 96 | 200 | 90⅞ | 0 | 9.23 |
| PHILIP MORRIS 9⅞ 98 | 200 | 99½ | 0 | 9.96 |
| POSTIPANKKI 11¼ 90 | 75 | 100⅝ | 0 | 8.53 |
| PROCTER & GAMBLE 10 95 | 150 | 101¼ | +⅛ | 9.67 |
| PRU.RLTY.SECS. 0 99 | 365 | 43⅞ | –⅛ | 9.26 |
| PRUDENTIAL FUNDING 7⅞ 91 | 150 | 98¼ | 0 | 9.07 |
| QANTAS AIRWAYS 8⅞ 96 | 97 | 96⅛ | +⅛ | 9.46 |
| QUEBEC HYDRO 9⅞ 98 | 150 | 102⅞ | 0 | 9.26 |

| CONVERTIBLE BONDS | Issued | Bid price | Chg on week | Prem |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| INTL PAPER 5¼ 02 | 200 | 89⅞ | +⅛ | 23.37 |
| KYOWA BANK 1⅞ 02 | 100 | 124½ | –⅛ | 3.12 |
| MCA 5½ 02 | 300 | 93⅛ | –⅛ | 19.74 |
| MITSUBISHI BK 1⅞ 02 | 300 | 108½ | +1 | –0.05 |
| TEXAS INSTRUMENTS 2⅞ 02 | 300 | 7⅛ | –½ | 90.99 |
| NIPPON ELECTRIC 2⅞ 00 | 150 | 263 | +2⅛ | –2.20 |
| SAITAMA BANK 1⅞ 02 | 100 | 99⅛ | –1⅛ | 0.35 |
| OGDEN 6 02 | 85 | 88⅞ | –3⅛ | 29.07 |
| PIONEER CONCRETE 9½ 98 A$ | 175 | 78⅞ | +⅛ | 22.16 |
| ROCKEFELLER CENTER 0 00 | 952 | 36⅛ | 0 | –60.72 |
| THORN EMI 5⅞ 04 £ | 105 | 107½ | –1½ | 7.98 |
| TOYO TST & BANKING 1⅞ 02 | 100 | 85⅛ | +⅞ | 5.48 |
| UTD BISCUITS 5⅞ 03 PREF | 110 | 109½ | +⅛ | 0.05 |

| YEN STRAIGHTS | Issued | Bid price | Chg on week | Yield |
|---|---|---|---|---|
| ALLIED-SIGNAL 6⅞ 93 | 20.0BN | 98⅛ | –⅛ | 7.48 |
| AUSTRIA 4⅞ 94 | 30.0BN | 95 | +⅛ | 6.85 |
| AVON CAPITAL 6⅛ 92 | 16.0BN | 97⅞ | 0 | 8.02 |
| BARCLAYS O/S INV 6 95 | 40.0BN | 94⅛ | –⅛ | 7.05 |
| B.F.C.E. 5⅛ 96 | 20.0BN | 93½ | –⅛ | 7.05 |
| CANADIAN PACIFIC 6⅛ 96 | 10.0BN | 99⅛ | +⅛ | 6.99 |
| DENMARK 6⅛ 92 | 20.0BN | 99⅞ | +⅛ | 6.82 |
| EIB 4⅞ 92 | 30.0BN | 96 | +⅛ | 6.80 |
| EIB 4⅞ 94 | 40.0BN | 92½ | +⅛ | 6.81 |
| ELEC DE FRANCE 5⅛ 96 | 20.0BN | 94⅛ | 0 | 6.62 |
| EUROFIMA 6½ 95 | 15.0BN | 98⅛ | +⅛ | 6.87 |
| FED.NAT.MORT. 6⅞ 92 | 50.0BN | 100⅛ | +⅛ | 6.78 |
| IBM CREDIT CORP 5⅛ 91 | 18.0BN | 98⅛ | –⅛ | 7.48 |
| ITT 6⅛ 92 | 20.0BN | 98⅛ | 0 | 7.63 |
| MCDONALDS CORP 6½ 92 | 25.0BN | 99 | 0 | 7.04 |
| NEW ZEALAND 7⅛ 92 | 15.0BN | 99⅞ | 0 | 7.52 |
| NORWAY 5⅛ 95 | 50.0BN | 93⅛ | 0 | 6.74 |
| PENNEY J.C. 6⅛ 92 | 26.0BN | 98⅞ | 0 | 7.36 |
| PHILIP MORRIS 6½ 91 | 20.0BN | 98⅛ | 0 | 7.95 |
| SALLIE MAE 6⅛ 92 | 25.0BN | 100 | +⅛ | 6.65 |
| SWEDEN 5⅛ 95 | 20.0BN | 94⅛ | 0 | 6.77 |
| GENERAL ELECTRIC 5⅛ 93 | 35.0BN | 96⅛ | +⅛ | 7.18 |
| WORLD BANK 7⅛ 93 | 20.0BN | 102½ | –⅛ | 6.85 |

| LUXFR STRAIGHTS | Issued | Bid price | Chg on week | Yield |
|---|---|---|---|---|
| COUNCIL EUROPE 7 94 | 600 | 92⅛ | +1 | 9.41 |
| GALVALANGE 7 95 | 600 | 91 | +1½ | 9.35 |
| IMMOBILIERE MATCH 7½ 94 | 1.0BN | 92½ | +⅛ | 9.49 |
| KLEINWORT BENSON 7 94 | 600 | 90⅛ | +⅛ | 9.63 |
| WORLD BANK 8 96 | 1.0BN | 93⅛ | +1⅛ | 9.40 |

| GUILDER STRAIGHTS | Issued | Bid price | Chg on week | Yield |
|---|---|---|---|---|
| A.B.N. 5½ 92 | 150 | 93⅞ | 0 | 9.06 |
| A.B.N. 5⅞ 91 | 100 | 95⅛ | 0 | 9.20 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| BOND WARRANTS | Expiry Date | Bid price | Chg on week | Yield |
|---|---|---|---|---|
| AEGON 9 92 | 24/09/92 | 6 | 0 | 8.69 |
| CREDIT FONCIER 10⅛ 98 | 07/03/95 | 155 | –10 | 9.89 |
| GMAC 8⅛ 95 B | 11/02/91 | 6 | –2 | 8.60 |
| HEINZ H J. 7½ 96 | 01/10/90 | 2 | 0 | 7.45 |
| INV IN IND B 9⅛ 94 | 07/04/90 | 170 | 0 | 8.61 |
| S.A.S. 9⅛ 03 | 03/06/91 | 28 | –7 | 8.87 |

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on FEBRUARY 16

# THE HEALEY & BAKER VIEW

There are, it is true, many kinds of consultant with whom one could do business in the world of international real estate.

And from every one, there is a corresponding response and attitude.

But there is one view, perhaps, that is more widely respected and more keenly sought after than most.

The Healey & Baker view.

Coming from a fiercely independent partnership of 170 years' standing, it is an experienced view which carries impeccable integrity.

It is a diverse view. Internationally, we have developed expertise across all areas of commercial real estate management.

It is an informed and positive view, based not on armchair philosophy, but on active daily involvement in the world's property markets.

It is a view which can guide you through the jungle of international leaseholds. Alert you to the opportunities presented by the changing face of Europe. Or inform you about the best way to manage your property assets.

To find out more, contact James Hollington at 29 St George Street, Hanover Square, London W1A 3BG or by telephone on +44 1 629 9292. The Healey & Baker view could dramatically change the way you look at real estate.

**HEALEY & BAKER**

Amsterdam · Brussels · Channel Islands · Düsseldorf · Glasgow · London · Madrid · New York · Paris · Stockholm · Correspondent Offices: Dublin · Lisbon · Vienna.

# Peru's miners call March strike

PERU'S MINERS' Federation has called a three-day nationwide strike for March 19, 20 and 21 to back up a list of demands including wage increases and freedom for the federation's jailed president, a union leader said, reports Reuter from Lima.

"We have called a three-day warning strike. This could be followed later by an indefinite strike, but that has not been decided yet," said Mr Leonardo Ramirez, the federation's vice-president

The federation's last strike, an 18-day walkout in August, hit copper production hard but other metals were only moderately affected.

Mr Ramirez said federation leaders, representing 82 of the group's 115 member unions, agreed to the strike dates at a weekend meeting.

The miners' demands are essentially unchanged from the last strike and include wage increases, wider collective bargaining rights and better benefits.

They are also demanding freedom for federation president Victor Taype, who was arrested in November in the central city of Huancavelica and charged with supporting leftist guerrillas.

# Supply fears put pressure on stocks of aluminium

By Kenneth Gooding

WORLD-WIDE stocks of primary aluminium need to rise further to provide a cushion for potential supply disruptions this year, according to Rudolf Wolff, the commodity broker.

Several important labour contracts in North American are to expire during 1990 and "in a climate of low metal prices, negotiations could prove tough," Wolff suggests in a special report on aluminium.

Among the aluminium smelters affected are Hannibal (capacity 245,000 tonnes) where the contract expires in May; Kitimat (270,000 tonnes expiring in July); Mead (200,000 tonnes in October) and Tacoma (75,000 tonnes also expiring in October).

In addition, the contract at the Gramercy alumina refinery (850,000 tonnes) expires in October.

Mr John Harris, author of the report, points out that although the International Primary Aluminium Institute has been reporting a steady increase in world-wide stocks for the past 18 months, inventories are still well below the levels seen in the mid-1980s.

At 3.2m tonnes, they equate to about six weeks of consumption and he suggests at least a further 200,000-tonne rise in stocks is necessary in view of potential supply disruptions.

Wolff forecasts that primary aluminium output will grow by about 200,000 tonnes or less than 1.5 per cent this year compared with the estimated 14.6m tonnes produced in 1989.

**LME WAREHOUSE STOCKS**
(Change during week ended last Friday) tonnes

| | | |
|---|---|---|
| Aluminium | −3,025 | to 90,125 |
| Copper | −5,425 | to 88,300 |
| Lead | −2,750 | to 13,275 |
| Nickel | +132 | to 6,840 |
| Zinc | −12,000 | to 69,725 |
| Tin | −735 | to 9,830 |

Net imports from Eastern Europe are forecast to drop slightly to 300,000 tonnes this year. "The political and social developments being seen in these countries are only likely to have an impact in the longer term," Mr Harris says.

Consumption of primary aluminium this year is forecast to increase by 1.5 per cent from the 1989 level to 14.9m tonnes.

"Although this growth is slower than the 2 per cent and 5 per cent rates achieved in 1989 and 1988 respectively, consumption will be at yet another all-time high. Despite the weakness likely in key markets such as construction and autos, we would envisage that cans, packaging and electricals will all perform strongly," the report adds.

While the demand outlook in North America is not particularly bright, "modest growth" should be maintained in western Europe and newly-industrialising countries are expected by Wolff to perform well, "particularly in packaging."

Mr Harris says that, although a surplus of supply over demand has been building for the past 18 months, aluminium prices are unlikely to go below \$1,350 a tonne this year. The peak will be \$1,800, he says, and the average for the year as a whole should be about \$1,650.

Last night's London Metal Exchange closing price for aluminium for delivery in three months was \$1,513.50 a tonne.

# Campaign launched to end VAT on gold

By Kenneth Gooding, Mining Correspondent

A LOBBYING campaign for the removal of value added tax on the sale of gold bullion bars and coins in the UK has been started by the World Gold Council, the Geneva-based organisation which represents the interests of about 80 gold mining companies in 11 countries.

The council suggests that the imposition of VAT in April, 1982 virtually killed off gold coin sales in the UK. Previously annual sales were about 250,000 troy ounces (nearly 8 tonnes).

To launch the campaign, the council's London office has made a pre-Budget representation to the Chancellor of the Exchequer in which it claims that the removal of VAT would help protect London's position as a major financial centre and improve the cost competitiveness of the UK jewellery trade.

It would also remove the disadvantages arising from the fact that Britain's VAT rate on gold bullion ranks among the top half of European Community nations, the council says.

Greece and Luxembourg levy a nil rate on the precious metal; Belgium levies 1 per cent; Portugal 3 per cent; the Netherlands 5 per cent; France 6 per cent; and West Germany 14 per cent. Only Italy, with 18 per cent, Denmark with 22 per cent, Ireland with 23 per cent and Spain with 33 per cent, charge more.

The council points out that, to help its jewellery fabrication industry, Italy does not impose any VAT on imports of unrefined gold. "While the prospects of the UK jewellery industry appear healthy, its fortunes would be improved by the withdrawal of the tax from the sale of the metal prior to the manufacturing stage," the council suggests.

It says the Royal Mint, manufacturer of the Britannia gold coin, would be an obvious beneficiary of the removal of the tax. "The Britannia is currently the only gold coin which is punitively taxed throughout its home market," it adds.

The council has hired the Dewe Rogerson consultancy to lobby for it. "This year's exercise should be regarded as a shot across the bows prior to a full-scale lobbying effort in 1991," says Dewe Rogerson.

London has lost business to Luxembourg and Switzerland where gold bullion and coins are free of local taxes, the council says. UK investors buy and hedge gold off-shore, but "this option is not easily available to the small investor who may also receive poor value from the London grey market which has developed since VAT was introduced."

# Standing tall in the wheat fields

## An expatriate defies convention on the Western Australian plains

FARMER'S VIEWPOINT

By David Richardson

IAN RACKHAM is tall and broad. His prematurely grey hair belies his 42 years, but he has the bronzed features of a Hollywood movie star. His developed frame, however, reflects years of hard labour on his Western Australian wheat belt farm. And his tan is the result of countless hours of toil across his 3,400 broadacres of sandy soil.

Although Ian Rackham has now taken the citizenship of his adopted country, he is not Australian by birth. He began his farming career in Britain, but gave it up 10 years ago in favour of the greater opportunities he perceived in Western Australia. The fact that his wife Anne was born there may well have influenced his decision.

Today they live with their three children near the small town of Dowerin, about 120 miles north-east of Perth. Dowerin boasts a grain elevator and a railway line on one side of the main street, and a dozen or so stores and a small hotel on the other. Behind the stores are the houses of the 600 inhabitants of the town. Dowerin in turn is the administrative centre of a shire (or county) of about 1,000 people.

When he first arrived in the area, Ian could only afford to buy 900 acres. The banks, he explains, are always wary of lending more than 25 per cent against a farmer's own equity because of the fluctuations of the yields and incomes in the wheat belt. The combination of recurring drought and volatile world markets on which returns rely makes farming there a high risk business.

He was, however, successful in leasing the further 1,100 acres nearby to give him at least a sporting chance of making a living. Old hands in the area reckon that to provide a single family with a viable income it is necessary to farm 3,000 acres. Indeed, when annual winter rainfall is below the long term average of 12 inches, that may not be enough.

However Ian has done well. Not only has he been able to afford to buy the 1,100 acres he first leased, but he has also recently purchased a further 1,400 acres nearby. He admits he has borrowed to complete the deal and, with effective interest rates at 21 to 23 per cent, that must take courage. His confidence has, however, been boosted by the fact that land values in the locality have risen in the 10 years he has been there, from A\$160 (£71) an acre to A\$250 an acre.

Even so, Ian Rackham has been more successful, or more lucky as he puts it, than many of his neighbours. He has achieved this by being somewhat unconventional.

Tradition in the wheat belt dictates that a farm should be planted two-thirds to wheat and one-third to clover on which to run a flock of Merino wool-producing sheep. But when he worked out the cash flow from a flock 10 years ago, Ian was unable to make the figures stand up because of slow returns.

Instead, he adopted an all-arable system with two-thirds of his land growing wheat or barley and one-third planted with the lupins or protein seed production. The lupins provided the break from white straw crops that his land required without the capital outlay necessary for a flock of sheep.

It has also enabled him to make better profits than most of his neighbours, who are now suffering a slump in the price of wool as a result of sharply increased sheep numbers in recent years and a sizeable surplus to demand.

When I was on the farm a few days ago, there had just been a series of torrential rains and the dark sky seemed certain to bring more. With temperatures in the low 30s Centigrade I assumed that the unseasonal moisture would be welcomed by the so called 'sand gropers' of Western Australia.

To my surprise, the farmers were not at all thrilled. It is two to three months before planting can begin, they explained. All the rain will do to arable land carrying last year's wheat stubble is nurture a lot of weeds, which would either have to be sprayed or cultivated to stop them getting out of control, adding expense to what has to be a low cost system.

With typical yields of only 10cwt to 15cwt per acre, margins were narrow enough without extra work.

Even the flock owners were displeased with the rain. Although their sheep were grazing what looked like dry grass and bare soil, the dead-looking vegetation in fact provides good feed. Also, sheep apparently burrowed in the soil for high protein subterranean clover. Unseasonal rain would do more harm than good by devaluing the dried grass and prematurely germinating clover seeds which would probably die in a couple of weeks when intense heat returned and the moisture evaporated. It would have suited all the farmers far better if the rains had been delayed until the proper winter season of April and May.

Ian Rackham, however, was not too worried. The only sheep on his farm belonged to a neighbour who paid for the privilege of running them over his stubbles. And his UK-derived knowledge of spray chemicals would enable him to kill any weeds economically. Failing that, he could get out his 225 hp tractor and wide-disc plough with which he could cultivate 20 acres per hour and kill the weeds that way.

He runs the farm single-handed, except for planting and harvesting, and he works long hours during peak periods. But he enjoys plenty of time off when the work is done and he is confident that he has done better than he would if he had stayed in the UK.

He is relaxed about the free trade negotiations which preoccupy the Cairns Group and the GATT round. He reckons he can produce wheat for as little as £50 per tonne and doubts if any of us in the UK or the USA could match that figure. I expect he is probably right. Certainly his costs are little more than half my own in the UK on a tonnage basis. Indeed, the claim that the wheat growers of Western Australia are the most efficient in the world is almost certainly justified.

And Ian Rackham is cynical about the forthcoming Federal election in Australia. "It won't matter much which way we farmers vote," he says. "The results will be decided long before the rural votes are even counted."

# Fox to trade base metals index

By Kenneth Gooding, Mining Correspondent

METALLGESELLSCHAFT, the diversified West German natural resources group, has arranged for its base metals index to be traded on the London Futures and Options Exchange (London Fox) on an electronic trading system by the early summer.

The index has been traded since January 1989 as an over-the-counter futures contract, based on the quotations of the six non-ferrous metals traded on the London Metal Exchange (LME).

Consequently, the most obvious exchange for the index to be traded on was the LME. However, Mr Hans Murmann, managing director of MG's UK subsidiary, said London Fox had been chosen because it offered a cheaper way to trade.

"Personally, I would have loved to have seen the index traded on the LME. But the Fox screens are very cheap to rent and in the end it came down to a matter of cost," he said.

London Fox at present trades futures and options in cocoa, coffee and sugar. It will offer seven positions on MG index futures, reaching as far forward as 15 months.

MG and Refco Overseas will be market makers in the contract and discussions are going on with other major UK and British brokers so that more market makers can be nominated soon, Fox said yesterday.

It said MG opted for Fox "because of the flexibility of a computerised market, the exchange's location in the same time zone as the LME and a possible margin offset within the London Clearing House by both markets."

Dealers and brokers in all time zones will be able to take part in trading the index through access to a worldwide data network, Fox added.

The index is currently traded 24 hours a day and handled by MG in Hamburg, Switzerland, Tokyo and Seoul as well as London. Since the launch, about 6,000 contracts have been traded and Mr Murmann said MG would be happy to see trading start on Fox at the rate of about 500 a day.

# Surfeit sends tea prices to five-month low

TEA PRICES fell to the lowest level for five months at yesterday's weekly London Auction, reports Reuter. But traders believe the market may soon bottom out.

The average price for medium grade tea, which started the year at 165p a kilogram, was down 8p from last week at 135p a kilogram.

Traders said the low price level reflected a surfeit of lower-quality teas mainly from Kenya, Malawi and Zimbabwe, but better teas were due to arrive at the auction soon and world consumption was still healthy, they said.

"The Kenya quality is not as good as people had expected so it has suddenly put quite a weight of low medium quality tea on the market," one trader said. But another said: "We've probably seen a bottoming in the market now, but it is very difficult to tell."

World production in 1989 was down on the record levels seen in the previous year, in spite of rising output in Kenya. Both south India and Sri Lanka had poor crops and there was no sign of any big surge in output this year. So with consumption growing, particularly in India, the signs are that supplies will remain fairly tight, traders said.

Consumption prospects have been enhanced by the possibility of increased sales in the Soviet Union and Eastern Europe.

Soviet tea production peaked at 122,000 tonnes in 1985. The Chernobyl nuclear disaster the following year, led to crops being uprooted and output in 1988 totalled 98,000 tonnes, International Tea Committee figures show.

In the short term, the wider changes in the Soviet Union had left little foreign exchange available for tea purchases, which had been largely confined to Indian supplies under a barter agreement.

Soviet imports rose to 180,708 tonnes in 1988, from just 88,798 tonnes five years earlier, ITC figures show. In the long term, they should increase further, they added.

For the moment, however, the world market is weighed down by the surfeit of lower quality teas from Kenya, Malawi and Zimbabwe.

The weighted average at last week's auction fell to 128.38p a kilogram, down from 134.64p the previous week and the lowest level seen since the auction of September 4. This week's weighted average has not yet been calculated.

Trade sources said the Kenyan tea currently on sale in London was processed during the busy November/December period, when overloaded factories had trouble maintaining quality, while the standard of the crop itself was also seasonally lower.

Supplies on their way to London now, by contrast, should be of a higher quality and help to improve the average price.

Customs figures show Kenya is by far the largest supplier of tea to the UK. In the first 11 months of last year, the UK imported 74,155 tonnes of Kenyan tea, compared with 25,757 tonnes from the second largest supplier, India.

British demand has been fairly stagnant, with the popularity of the more tea-efficient bag, which now accounts for around 80 per cent of the market, reducing leaf consumption.

## WORLD COMMODITIES PRICES

### LONDON MARKETS

PROFIT-TAKING trimmed back nickel prices on the London Metal Exchange yesterday after last week's \$1,487.50 upsurge. The cash price closed at at \$7,505 a tonne, down \$332.50 on the day. The zinc market also came under pressure, despite news of a 12,000-tonne fall in LME warehouse stocks last week. The cash special high grade zinc price fell \$24 to \$1,426.50 a tonne. Copper and aluminium prices ended marginally lower but cash lead climbed £7 to £454 a tonne after the announcement of a further sharp fall in LME stocks, already at a two-year low. The tin market continued Friday's rally with the cash price gaining \$200 to \$6,420 a tonne. The closure of the US markets made for quiet conditions at the LME and at the London bullion market, where the gold price eased back a little.

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | \$16.55-6.65z | -0.03 |
| Brent Blend | \$19.62-9.68z | +.025 |
| W.T.I. (1 pm est) | - | |
| **Oil products** (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | \$223-225 | |
| Gas Oil | \$171-172 | -3 |
| Heavy Fuel Oil | \$89-90 | |
| Naphtha | \$191-193 | |
| Petroleum Argus Estimates | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | \$416.75 | -1.00 |
| Silver (per troy oz)♣ | 534c | -3 |
| Platinum (per troy oz) | \$522.0 | +2.85 |
| Palladium (per troy oz) | \$137.0 | +0.55 |
| Aluminium (free market) | \$1520 | +10 |
| Copper (US Producer) | $113\frac{5}{8}$-$19\frac{1}{2}$c | $+3\frac{1}{4}$ |
| Lead (US Producer) | 41.5c | +0.5 |
| Nickel (free market) | 350c | -5 |
| Tin (Kuala Lumpur market) | 16.37r | +0.08 |
| Tin (New York) | 287c | |
| Zinc (US Prime Western) | $65\frac{1}{4}$c | |
| Cattle (live weight)† | 110.12p | +0.58* |
| Sheep (dead weight)† | 208.18p | +8.39* |
| Pigs (live weight)† | 98.45p | +4.31* |
| London daily sugar (raw) | \$358.0x | |
| London daily sugar (white) | \$431.0x | |
| Tate and Lyle export price | £325.0 | -2.0 |
| Barley (English feed) | £112.75w | |
| Maize (US No. 3 yellow) | £127.5 | |
| Wheat (US Dark Northern) | £128.5 | -0.5 |
| Rubber (Mar)♥ | 54.50p | -0.75 |
| Rubber (Apr)♥ | 55.50p | -0.75 |
| Rubber (KL RSS No 1 Mar) | 229.0m | -2.5 |
| Coconut oil (Philippines)§ | \$382.5t | |
| Palm Oil (Malaysian)§ | \$277.5w | +2.5 |
| Copra (Philippines)§ | \$225 | |
| Soyabeans (US) | £159 | +1 |
| Cotton "A" Index | 77.95c | -0.30 |
| Wooltops (64s Super) | 548p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Mar. z-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

**COCOA – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 624 | 627 | 626 622 |
| May | 634 | 636 | 637 633 |
| Jul | 646 | 647 | 649 645 |
| Sep | 662 | 664 | 664 662 |
| Dec | 686 | 688 | 688 686 |
| Mar | 708 | 709 | 710 708 |
| May | 721 | 723 | 724 720 |

Turnover: 2317 (8536) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 16 778.63 (773.01) 10 day average for Feb 19 758.85 (754.25)

**COFFEE – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 614 | 606 | 612 605 |
| May | 624 | 620 | 624 616 |
| Jul | 637 | 630 | 637 627 |
| Sep | 651 | 643 | 649 642 |
| Nov | 663 | 659 | 661 658 |
| Jan | 678 | 676 | 678 677 |
| Mar | 695 | 690 | |

Turnover: 2103 (5122) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 16: Comp. daily 67.66 (67.02). 15 day average 64.30 (63.98)

**SUGAR – London FOX** (\$ per tonne)

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 326.00 | 327.40 | 326.80 325.80 |
| May | 328.80 | 328.20 | 328.00 328.20 |
| Aug | 325.40 | 327.20 | 326.00 325.00 |
| Oct | 318.60 | 317.80 | 317.00 318.60 |
| Dec | 314.00 | 316.00 | 310.00 |
| Mar | 294.00 | 295.60 | 296.00 294.00 |
| **White** | **Close** | **Previous** | **High/Low** |
| May | 428.0 | 428.0 | 427.0 426.0 |
| Aug | 423.0 | 426.0 | 427.0 425.3 |
| Oct | 394.0 | 394.0 | 393.0 |
| Aug | 364.0 | 362.5 | 365.0 |

Turnover: Raw 589 (3692) lots of 50 tonnes. White 555 (544)
Paris- White (FFr per tonne): May 2440, Aug 2445, Oct 2280, Dec 2160, Mar 2155, May 2155.

**CRUDE OIL – IPE** \$/barrel

| | Latest | Previous | High/Low |
|---|---|---|---|
| Apr | 19.83 | 19.72 | 19.70 19.61 |
| IPE Index | 19.73 | 19.65 | |

Turnover: 2284 (5643)

**GAS OIL – IPE** \$/tonne

| | Latest | Previous | High/Low |
|---|---|---|---|
| Mar | 168.00 | 169.75 | 169.75 167.75 |
| Apr | 164.00 | 167.00 | 166.25 164.00 |
| May | 164.00 | 165.00 | 164.00 164.00 |
| Jun | 161.75 | 164.00 | 163.75 161.75 |
| Jul | 165.00 | 164.00 | 165.00 |
| Aug | 167.00 | 167.00 | 167.00 |

Turnover 1352 (7396)lots of 100 tonnes

**TEA**
There were 32,360 packages on offer at this week's auction, including 9,400 offshore, reports the Tea Brokers' Association. Selected coloury Assam ctc's were steady but the remainder lost 4-8p with plainest sorts neglected. Best liquoring east Africans and a few good mediums held values but others were very irregular and closed 4-8p easier. Central Africans also lost ground. Ceylons were irregular but brighter types were generally several pence dearer. Offshore teas came to a very selective market and prices were easier where sold. Quotations: quality 220p nominal (220p), medium 127p (135p), low medium 93p (96p).

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity (\$ per tonne)** | | | | | | Ring turnover 16,250 tonne |
| Cash | 1504-6 | 1506-8 | 1521/1518 | 1520-1 | | |
| 3 months | 1512-5 | 1508-9 | 1540/1508 | 1526-7 | 1508-7 | 37,850 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Ring turnover 49,325 tonne |
| Cash | 1430-1 | 1434-5 | 1441/1440 | 1439-40 | | |
| 3 months | 1420-1 | 1421-2 | 1434/1415 | 1427-8 | 1418-7 | 72,233 lots |
| **Lead (£ per tonne)** | | | | | | Ring turnover 20,225 tonne |
| Cash | 453-5 | 445-8 | 466/460 | 466-7 | | |
| 3 months | 425-6 | 423-4 | 429/425 | 426-7 | 423-4 | 70,244 lots |
| **Nickel (\$ per tonne)** | | | | | | Ring turnover 1,764 tonne |
| Cash | 7480-530 | 7825-50 | 7575 | 7550-75 | | |
| 3 months | 7430-50 | 7675-700 | 7850/7400 | 7475-500 | 7400-25 | 7,459 lots |
| **Tin (\$ per tonne)** | | | | | | Ring turnover 696 tonne |
| Cash | 6410-30 | 6210-30 | | 6380-70 | | |
| 3 months | 6540-60 | 6340-50 | 6575/6425 | 6490-500 | 6540-50 | 5,407 lots |
| **Zinc, Special High Grade (\$ per tonne)** | | | | | | Ring turnover 13,400 tonne |
| Cash | 1425-6 | 1449-52 | 1430 | 1425-8 | | |
| 3 months | 1415-6 | 1435-7 | 1435/1405 | 1415-6 | 1403-5 | 17,737 lots |
| **Zinc (\$ per tonne)** | | | | | | Ring turnover 1,950 tonne |
| Cash | 1425-35 | 1436-40 | 1430 | 1420-30 | | |
| March 30 | 1400-10 | 1410-20 | | 1395-405 | | 811 lots |

LME Closing £/\$ rate: SPOT: 1.7030 3 months: 1.6761 6 months: 1.6509 9 months: 1.6252

**POTATOES – BFE** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 180.4 | 181.1 | 182.5 179.0 |
| May | 206.5 | 206.5 | 207.4 203.0 |

Turnover 101 (280) lots of 40 tonnes.

**SOYABEAN MEAL – BFE** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 128.50 | 128.50 | 128.50 |

Turnover 39 (15) lots of 20 tonnes.

**FREIGHT FUTURES – BFE** \$10/index point

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 1627 | 1632 | 1634 1627 |
| Apr | 1638 | 1645 | 1640 1636 |
| Jul | 1388 | 1402 | 1390 |
| Oct | 1512 | 1515 | 1512 |
| BFI | 1576 | 1578 | |

Turnover 77 (90)

**GRAINS – BFE** £/tonne

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 110.60 | 111.75 | 110.75 110.25 |
| May | 114.25 | 115.55 | 114.75 114.05 |
| Jun | 116.45 | 117.80 | 116.50 |
| **Barley** | **Close** | **Previous** | **High/Low** |
| Mar | 104.75 | 105.45 | 104.75 104.50 |
| May | 107.60 | 108.15 | 107.60 107.35 |
| Sep | 104.00 | 104.15 | |

Turnover: Wheat 380 (334), Barley 81 (143).
Turnover lots of 100 tonnes.

**PIGS – BFE** (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 118.8 | 118.5 | 118.5 |
| Jun | 118.8 | 118.5 | 118.5 |
| Aug | 116.0 | 116.0 | 115.5 |

Turnover 15 (50) lots of 3,250 kg

**LONDON BULLION MARKET**

| Gold (fine oz) | \$ price | £ equivalent |
|---|---|---|
| Close | $416\frac{1}{2}$-417 | $244\frac{1}{4}$-$244\frac{3}{4}$ |
| Opening | $417\frac{1}{4}$-$417\frac{3}{4}$ | 245-$245\frac{1}{2}$ |
| Morning fix | 418.95 | 244.938 |
| Afternoon fix | 416.50 | 244.161 |
| Day's high | $417\frac{1}{2}$-418 | |
| Day's low | $416\frac{1}{2}$-417 | |
| **Coins** | **\$ price** | **£ equivalent** |
| Mapleleaf | 425-430 | 249-252 |
| Britannia | 425-430 | 249-252 |
| US Eagle | 425-430 | 249-252 |
| Angel | 425-430 | 249-252 |
| Krugerrand | 416-419 | 244-246 |
| New Sov. | $97\frac{1}{4}$-$99\frac{1}{4}$ | 57-$58\frac{1}{2}$ |
| Old Sov. | $97\frac{1}{4}$-$99\frac{1}{4}$ | 57-$58\frac{1}{2}$ |
| Noble Plat | 528.25-536.60 | 310.00-314.90 |
| **Silver fix** | **p/fine oz** | **US cts equiv** |
| Spot | 312.90 | 533.00 |
| 3 months | 324.35 | 543.80 |
| 6 months | 336.25 | 554.95 |
| 12 months | 359.95 | 576.10 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price \$ tonne | Mar | May | Mar | May |
| 1400 | 117 | 127 | 2 | 14 |
| 1450 | 40 | 61 | 24 | 47 |
| 1500 | 6 | 23 | 90 | 107 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2300 | 130 | 140 | 7 | 58 |
| 2400 | 58 | 88 | 34 | 104 |
| 2500 | 18 | 51 | 93 | 165 |
| **Coffee** | **Mar** | **May** | **Mar** | **May** |
| 550 | 62 | 77 | | 4 |
| 600 | 18 | 40 | 6 | 17 |
| 650 | 1 | 17 | 39 | 44 |
| **Cocoa** | **Mar** | **May** | **Mar** | **May** |
| 550 | 72 | | | |
| 600 | 28 | 47 | 6 | 13 |
| 650 | 5 | 20 | 33 | 36 |
| **Brent Grade** | **Apr** | **May** | **Apr** | **May** |
| 1950 | 45 | | | |
| 2000 | | | | |
| 2050 | | | | |

# Pine resins a market waiting to be tapped

**David Spark** looks at research into a valuable crop with export potential

EXPORT CROPS have been bad news for developing countries, with higher output of cocoa and coffee pushing down prices. There is one crop, however, for which markets are wide open, not just abroad but also at home. This is the resin which can be collected by tapping pine trees. If these have been planted anyway for timber or woodpulp, resin offers an extra income in the years before they are felled.

However, they need, if possible, to be the right pine trees: resin from 50,000 hectares of mainly *pinus patula* in Malawi proved of little value, whereas the American slash pine in Zimbabwe is the basis of a thriving local industry.

John Coppen and colleagues at Britain's Overseas Development Institute are studying the pines of South-East Asia to see which produce the most valuable resin. Indonesia has swiftly growing exports of resin products worth \$9m or more a year.

Resin is the source of the turpentine which was used in Britain to thin paints. It can still be used for this in developing countries; but in industrial countries it is now usually broken down into its more valuable constituent parts to make flavourings, fragrances, chemicals and synthetic pine oil.

Turpentine boils off from resin when this is distilled. It leaves behind rosin, which can be made into soap but is more commonly refined into a wide range of products including a sizing agent which gives wet-strength to paper.

On the market, the gum turpentine and rosin from pine-tapping compete against by-products from paper manufacture and against synthetics. China, the Soviet Union, India and Portugal are big resin producers and Brazil has become self-sufficient in resin products. Apart from Portugal, tapping has largely died out in Europe and the US because of the labour involved.

In the American system of tapping also used in Zimbabwe, a strip of bark is normally removed from a tree each fortnight: sulphuric acid is used to keep the resin flowing into the jar or other collecting vessel as long as possible. The Zimbabwean trees give an average of about 3.5 kg of resin a year. The resin flows best when the temperature is high and there is no prolonged rain.

An important pine of South-East Asia is *pinus merkusii*. In Indonesia it is native to Sumatra but has also been planted in Java. Indonesian turpentine is mainly alpha-pinene, which can be used to make synthetic pine oil; and part of John Coppen's ODNRI study is to determine whether an acceptable pine oil can be made from the turpentine with little further refining.

He explains that the constituents of turpentine from pine trees differ not only from species to species but also between trees of the same species. Rosin constituents are more stable.

He has been studying the resin from trees native to three areas of Sumatra – Aceh, Kerinci and Tapanuli – plus Aceh trees planted in Java. Tapanuli turpentine proved to be as much as 93.5 per cent alpha-pinene.

Unfortunately, the Tapanuli resin also contains a chemical with a high boiling point. This does not distil with the turpentine, but remains in the rosin and and reduces its value.

Mr Coppen is now going on to study trees in Thailand and the Philippines. He should be able to show which *pinus merkusii* pines produce the most valuable resin.

**The US markets were closed yesterday for the Presidents Day holiday**

**INDICES**

| REUTERS (Base: September 18 1931 = 100) | | | |
|---|---|---|---|
| Feb 19 | Feb 16 | mnth ago | yr ago |
| 1809.9 | 1804.5 | 1799.6 | 1936.3 |

| DOW JONES (Base: Dec. 31 1974 = 100) | Feb 16 | Feb 15 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 130.22 | 130.08 | 128.90 | 135.00 |
| Futures | 132.20 | 132.03 | 130.41 | 137.57 |

# Fungus threat to Zairean coffee crop

ZAIRE'S COFFEE crop may be devastated unless measures are taken soon to stop the spread of a fungus, according to coffee industry officials, reports Reuter from Kinshasa.

The disease, known as tracheomycose, has already hit output in Upper-Zaire, which produces most of the country's annual coffee production of about 110,000 tonnes.

"If we are not careful the entire crop could be virtually wiped out in the next five years," a coffee exporter said.

"It has been a serious problem for the past two years and appears to be getting worse," an industry source said.

In some areas of Upper-Zaire 25 or 30 per cent of trees are affected, the industry source said. "Farmers have been neglecting plantations because of low market returns and this allows the disease to spread."

Industry sources said the calendar 1989 crop in Zaire may have been only 101,000 tonnes.

The fungus originates in the tropical forest and is often spread by winds, farming tools or animals, the sources said. The only known way to eradicate tracheomycose, which has caused problems in the region in the past, is to uproot and burn diseased trees.

"The Government has sent teams to study the problem and to offer growers advice, but it's not easy to persuade peasants to uproot trees that take a long time to replace. Farmers need to be educated and helped with this," one source said.

Most Zairean coffee growers have plantations of less than five hectares and coffee is their only cash crop.

Zaire, which gets about 15 per cent of total export income from coffee, grows almost 90 per cent robusta. This is cheaper and in less demand than high-altitude arabica coffee on a world market where prices in recent months have been around their lowest for 14 years.

● A late burst of short-covering left coffee prices ahead on the day at the London futures market yesterday. The May position ended £4 up at £624 a tonne, having dipped to £616 in the morning. "Technically, for the first time in several months, it (the London market) has started to look promising," one trader said.

FINANCIAL TIMES
SURVEY

**The industry is in good shape, despite a difficult year; diversification is less frenzied; smaller societies are finding that traditional business can still be profitable. But all are under immense pressure, with interest rates soaring higher than ever, warns David Barchard.**

# In need of fresh funds


# Building Societies

**IN THIS SURVEY**



Graphic: Simon Farr

MARK TWAIN once sent a famous telegraph saying that reports of his death were greatly exaggerated. As the 1990s begin, the building society industry finds itself in a somewhat similar position.

Three years ago, many voices in the City predicted its demise under the pressure of open markets. It has yet to happen. Last year may have been a difficult one for the housing sector, but the building society industry emerged in good shape with a clearer perspective on the choices each individual society must make about its future.

This was in striking contrast to the mid-1980s, when the societies were under pressure from banks and other new competitors in the mortgage markets, and were losing the battle for the personal savings markets to the unit trusts. The writing seemed to be on the wall. Some societies responded with hasty efforts to diversify business.

The mood where diversification is concerned is calmer now. Only the top four societies – Halifax, Nationwide Anglia, Woolwich, and Alliance & Leicester – feel able to compete with the banks on all fronts. Smaller societies accept (in the words of Mike Blackburn, chief executive of Leeds Permanent, the fifth largest) that a cheque-book is a "bridge too far" for them.

Instead, the smaller and medium-sized societies have discovered that their traditional savings and loans business can still be highly profitable, while there may be some new business outside retail banking (for example, mortgage administration) which is easily profitable and fits well with their existing business.

Ironically, the deep depression in the mortgage market caused by high interest rates has helped the industry to beat off new competitors. Despite the departure of Abbey National, the second largest society until its stockmarket flotation in July, the industry clawed back market-share. Gross mortgage advances were up 13 per cent in the second half of the year. Monthly figures for net new lending in the second half were above those of 1988 for four out of six months. Two of the top 10 societies – Leeds Permanent and Cheltenham & Gloucester – that have announced their year-end results so far were able to report that their mortgage business and profits were well up.

Savings business, however, has begun to look more fragile. During 1988, retail funds flowed into the industry at the rate of more than £1bn a month, largely because small investors were still mindful of the October 1987 crash and reluctant to put funds into unit trusts or other stockmarket investments. This gave the societies a strong competitive edge, which continued into the first half of 1989 when interest rates were high.

When the banks' base rate rose to 14 per cent in May, and again to 15 per cent in October, societies were able to hold their lending rates to half a percentage point below base, thus giving them a powerful advantage over other lenders and pushing up their market share. But holding down interest rates to borrowers could only be achieved at the price of squeezing their own margins to the utmost and keeping down rates to savers.

February and April were the only two months last year when savings topped £1bn. In June, there was a net outflow of savings, and in November and December the inflow was down to a trickle of around £176m each month.

Passing events, such as the flotations of Abbey National and the water industry, may have played a part. But low building society rates to savers were the main reason. Rates are now at last going up, following Abbey National's initiative on February 14. The process has been accelerated by a new generation of high-interest savings accounts offered by the clearing banks.

With base rate likely to remain high for the foreseeable future, the societies have no option but to bow to the pressures of a competitive market-place, though this means lending rates at record levels and – as the societies are well aware – pushing up arrears and repossessions. Nevertheless, they still retain some advantage over competitors who depend solely on the money markets for funds.

Signs of changing attitudes to the newcomers in the industry and growing willingness to co-exist with them are already apperent. "The building society industry can't cater for the whole UK mortgage market. We need the other lenders," says Terry Adams, chief executive of Skipton.

The Building Societies Association now exists alongside a Council of Mortgage Lenders, which operates from the same premises in Savile Row and shares a common secretariat.

Equally striking changes have taken place in the last 12 months in the strategy of building societies towards the sale of insurance products, commissions on which make an increasingly important contribution to their balance sheets. With a few exceptions – for example, Bradford & Bingley and Yorkshire – most large societies reversed their original decisions to stay independent under the Financial Services Act, and announced ties with insurance companies during 1989.

Some of the ties forged last year may be the first stages in the development of closer relationships, which lead to the eventual emergence of financial conglomerates. Halifax's tie with Standard Life is one that could evolve in this direction. Some top 10 societies are moving faster than this.

National & Provincial and Woolwich have both set up their own insurance joint ventures, with an insurance company acting as the minority partner but supplying administrative skills and computer systems. Britannia led the way by taking over FS, a small Glasgow-based mutual life company, demutualising, and turning it into a subsidiary renamed Britannia Life.

Other forms of diversification have brought more pain. The launch costs of the cheque-book current accounts have been substantial for the larger societies, and have deterred all of them below the top five either to stay out of the cheque-book market or to economise by offering their customers a cheque-book belonging to a bank.

The really bad news has come from estate agency operations, which the larger societies have been expensively building up over the last two years to act as long-term channels for the distribution of their mortgages.

Nationwide Anglia lost £12m on its agency operations in 1988. Societies with large estate agency operations probably lost even more than that last year. Cheltenham & Gloucester, generally agreed to be an exceptionally well-run society, lost £1m on its mini-chain of 18 agencies.

Credit-card operations and property losses have also hit some balance sheets in the industry. Leeds Permanent last year lost £7.5m on its Visa Card and £5.9m on its estate agency operations. Despite the prospect of losses, few societies feel able to face the future without an estate agency operation. In the top 10, only National & Provincial and Bradford & Bingley, do not have agency chains.

To make diversification less painful, some societies would like the right to issue some form of share capital without following Abbey National and converting into public companies. But no societies at present look likely to follow Abbey National with a flotation and conversion to a plc.

National & Provincial, the only society which seemed to be clearly moving towards a flotation on the stockmarket, has now deferred its plans, apparently indefinitely. Other societies, Cheltenham & Gloucester, and Skipton, for example, feel no need to change status as long as they continue to show strong profitability. "Given the profits we are making on our existing business, there are no reasons I can see for my society changing its status," says Mr Adams, at Skipton.

This does not mean that changes will not take place during 1990. Societies in the second tier have an alternative to plc conversion. They can ask their members to approve a takeover by an existing company, perhaps a bank or an insurance group, in return for what is likely to be quite a substantial cash payment.

"It could be more attractive to some medium-sized societies to retain their identity inside a larger financial services group as its mortgage lending arm, than surrender it totally in a merger with another society," says Mr Patrick Frazer, a specialist on the industry.

Foreign banks and insurance companies have been wooing societies – and some societies have been wooing foreign banks – as possible partners for the past two years. So far, no one has taken the plunge, but it looks inevitable that, sooner or later, a society will decide to do so. When it does, others are undoubtedly going to follow.

MORTGAGES

# Victory, but in a poor market

AS FAR as the mortgage markets were concerned, 1989 was the year the building societies struck back against the banks and newcomers. At the end of the year, they had pushed up their market share at the expense of the newcomers to mortgage lending in the UK.

It was a dramatic reversal of the situation which existed only two years earlier when, in the third quarter of 1987, the societies found their market share slipping below 50 per cent. But their victory has been achieved in a shrunken and depressed market, in which remortgage business has played an important part.

"Mortgage lending was down last year about 20 per cent by value and 35 per by volume," says David Gilchrist, manager of Halifax, the largest UK mortgage lender. "Lending was about £32bn, compared with £40bn in 1988."

Building societies have boosted their market share by a two-pronged attack. First, as in earlier periods of high interest rates, they have been able to hold their rates down below the banks' base rate by relying on the retail funds they receive from small savers.

Second, they have diversified their once uniform range of mortgage products, and beaten

**The industry is not quite as herd-like as it once was. Smaller societies tend to charge higher rates on their lending**

the new lenders at their own game in the remortgage markets. The building societies' retail funding base two years ago, when rates were low, looked like a disadvantage. When base rates were low, it was the new lenders who were able to follow the base rate downwards and cut their rates quickly. Now the same lenders, particularly the new centralised lenders, because they rely heavily on wholesale funding raised in the money markets and cannot undercut base rate for more than a short period, have to charge higher rates than the societies.

When base rate moved, first to 14 per cent last May, and then to 15 per cent in October, the building societies absorbed the cost. Other lenders were able to hold their rates down for about a month, and then were forced to put them up.

Building societies were able to do this because, for most of 1988 and 1989, they have been awash with funds from small savers, still alarmed by the October 1988 stockmarket crash and unwilling to put their money into unit trusts. It was only towards the end of 1989 that societies began to face the possibility that they were keeping their rates to savers too low and that funds had started to migrate.

Even so, for larger societies such as Cheltenham & Gloucester and Skipton, which offer a slightly better than average rate to savers, 1989 was a good year. At the end of the year the biggest societies, such as Halifax, seemed to be faring worst on the savings side; and an increase in rates to borrowers looked increasingly likely, to enable them to improve the rates they could offer savers. Jim Birrell, chief executive of the Halifax, issued several warnings that mortgage interest rates might have to move up again before long, if base rates did not drop soon.

Mr Birrell would probably be satisfied by a cut of half a percentage point in the base rates, but he is unlikely to get it. Most City economists agree that rates will have to stay up until around the third quarter of the year. Some voices can be heard arguing for a further percentage point increase. Mr Birrell and the Halifax still effectively decide the mortgage rate for the building society industry as a whole, despite the disappearance of the formal cartel. At times of interest rate changes, building society executives wait to see how Halifax will move and then follow it.

But the industry is not quite as herd-like as it once was. For a start, smaller societies tend to charge higher rates on their lending, usually because they are chasing slightly riskier business. But the variations do not stop there.

Woolwich has held its mortgage interest rate down at 0.25 percentage points below Halifax's for several months, and seems set to continue doing so. Last autumn, Yorkshire Building Society moved its rate up a few days before Halifax, and to a higher level.

Even so, most chief executives of large societies admit that they would find it difficult to sustain a different standard mortgage interest rate from Halifax's. In the last round of increases last autumn, it was clear that Nationwide Anglia would have liked a slightly higher rate, as would Abbey National plc, Halifax's chief rival in the market. Abbey National, still somewhat shell-shocked from the controversy surrounding its flotation last July, seems to have felt that the moment has not yet arrived when it can afford to be seen putting its rates above those of Halifax.

Meanwhile, societies like Halifax have enormously broadened their mortgage product range. Two years ago, societies offered a single mortgage product. Cheaper mortgages for borrowers over £60,000 have been followed by a plethora of products. These include low-start mortgages, to help first-time buyers into the market, and others aimed at the remortgage market and the non-status market (the self-employed or people without an identifiable regular salary), as well as limited tranches of fixed-rate mortgages.

Andrew Longhurst, chief executive of Cheltenham & Gloucester, warns that finding outlets through which to distribute mortgage business may be the Achilles' heel of the building society industry. All that is needed to collect deposits is a single advertisement in the newspapers. Mortgage distribution requires either a branch network or the panels of insurance companies on which the centralised lenders rely.

Hence the much-publicised and highly expensive entry of many societies into the estate agency market. There may be other ways. Mike Blackburn, chief executive of Leeds Permanent, says his society now offers a modest introducer's fee to brokers who find it mortgage business and put mortgage business its way. This is not a step which most societies favour. But making contact with mortgage customers, especially upmarket ones, looks like being one of the main problems for the industry in the 1990s.

**David Barchard**

NEW BUSINESS: Insurance has been the area of greatest innovation, says **David Barchard**

# Many players are wary of the card game

AFTER SEVERAL years of heady expansion into new lines of business, from credit cards to stockbroking, 1989 looks at first sight like a relatively subdued year for innovation in the industry.

Customers may have noticed little more than that Halifax launched Maxim, its cheque-book current account; while National & Provincial unveiled a Visa credit card alongside those of Halifax, Leeds Permanent and Town & Country.

Town & Country's Visa card is currently the cheapest in the UK market, with an annual rate of under 20 per cent. Other societies are sceptical, however, of the ability of credit cards to contribute to profit growth. Halifax and Leeds Permanent both lost money on their card operations during their first year – not surprisingly in a saturated market. Leeds Permanent hopes that its card will move into profit within the next two years. But those societies that did not go into the credit card business early on, now look content to stay out of it.

With estate agencies, the position is somewhat different. Many, though not all, large societies cut back in 1989 on their plans to expand their estate agency networks. These had dominated their strategic thinking a year or two earlier, but, hit by growing losses on their agency operations, and aware that there was little short-term prospect of a recovery, most had little choice but to be cautious. Interest in estate agency operations remains strong, particularly among societies such as Woolwich Equitable in London.

When Whitegates, the northern estate agency chain, owned by Provident Financial, came on the market by the summer, Yorkshire Building Society was one of the strongest bidders.

"It would have made an excellent fit," says Mr Derek Roberts, chief executive. "But we were put off by the knowledge that it is likely to make a £1m loss in the coming year."

In the event, Whitegates went not to a building society or a bank but to Legal & General, the insurance group with which it was already tied.

Further afield, most societies are now weighing up their chances in the European markets after 1992 and the arrival of the Single Market. The number of building societies with offshore subsidiaries is growing. Halifax has an expatriate savings operation in Jersey; and Bristol & West has one in Guernsey, and estate agencies on both islands. Nationwide Anglia, Leeds Permanent, National & Provincial, Bradford & Bingley and Britannia have set up in the Isle of Man.

These investments in the Isle of Man look set to yield an unexpected pay-off during the first half of 1990, because of an unforeseen side-effect of the introduction of the independent taxation of married women. Building society investors in the UK will be able to receive interest paid gross from accounts held offshore. In practice, this looks likely to mean accounts on the Isle of Man.

**Many, though not all, large societies cut back in 1989 on their plans to expand their estate agency networks. These had dominated their strategic thinking a year or two earlier. But interest in estate agency operations remains strong, particularly among societies such as Woolwich Equitable in London**

So far, the only building society to take the plunge and set up in continental Europe is Abbey National, which launched a Spanish subsidiary in 1988. Though Abbey has since gone on to other operations in Italy, Gibraltar and France, it has also exited from the building society industry by becoming a plc. Halifax has been working on opportunities in Europe for nearly two years, without so far reaching the point where it felt able to make an announcement.

But many smaller societies, including Bradford & Bingley and Britannia, say they are looking carefully at prospects after 1992. "We have set up a research group and are seeing what possibilities are open to us," says Michael Shaw, chief executive of Britannia. "As far as we can see, the most sensible route would be a joint venture."

For Nationwide Anglia, the second largest society, the route into Europe is likely to lie through a closer association with Guardian Royal Exchange, the insurance group with which it tied last autumn.

Insurance operations have been the area of greatest innovation in the last 12 months, with most top 10 societies reversing their position under the Financial Services Act for the sale of insurance services. When the Act came into force in April 1988, Abbey National was the only large society to opt for tied status – with Friends Provident. Late in 1988 and during the first half of 1989, most other larger societies changed their position. By the end of the year, Bradford & Bingley was the only society in the top 10 retaining independent status.

Halifax tied with Standard Life, in what may possibly be the first step towards an eventual marriage and the emergence of a larger financial services group. Some smaller societies sought more original solutions. Britannia became the first to take over and demutualise an insurance group, buying FS of Glasgow and converting it into a subsidiary, Britannia Life. "Britannia Life started operations on January 1 and is doing very nicely," says Mr Shaw. "FS was about the right size for us, but it will expand."

National & Provincial, the sixth largest society, decided to tie to a subsidiary too, but instead of taking over an existing insurance group, it set up a joint venture with General Accident. The subsidiary will operate within General Accident's York offices, and entails little administrative outlay by N&P. Woolwich, the third largest society, subsequently emerged with a similar deal. In the insurance industry, where companies already fear that they will end up in a subordinated "manufacturer" role, the two deals – which create competitors for the insurance companies concerned – raised some eyebrows.

Smaller societies, reluctant to diversify into retail banking services, have found other outlets. Skipton (the 21st largest society, with assets of £1.25bn in 1988) and Birmingham Midshires have set up subsidiaries to handle mortgage administration for other lenders, usually newcomers, sometimes foreign ones, to the UK mortgage market. Skipton scored a striking early success, winning the contract to administer the mortgage book of Kleinwort Benson, the London merchant bank. Both Skipton and Birmingham Midshires have German mortgage lenders as customers.

Further diversification among the larger societies probably awaits a change in the market. With their margins under pressure, this is not a good time for societies to venture far from their mainstream activities. PEPs, unit trusts, and stockbroking activities are one possible way forward if investor confidence revives. Yorkshire Building Society has bought a minority stake in BWD, of Huddersfield. Norwich & Peterborough has a stockbroking subsidiary.

For most societies, however, consolidating their existing business and developing the products they can offer within it, may be the main themes over the next year or two.

WHOLESALE FUNDING

# Roadshows prevail in global centres

WHOLESALE receipts by building societies, mostly generated through sophisticated international borrowing operations, accelerated vividly at the end of 1989, to replace retail money deflected by water privatisation and low deposit rates.

Propelled by astute funding techniques and finely calculated currency and interest rate swaps, net wholesale borrowings for the year as a whole soared to a record £8.2bn, doubling the average level of the past five years and outpacing the heady days of 1987 when the sector shot to second place in the Euromarkets.

Significantly, the bulk of the 1989 funding growth occurred after Abbey National's withdrawal from the aggregates; it also occurred in the face of expensive money market rates and lukewarm mortgage demand, evidence of a skill for raising cost-effective wholesale money, which in the space of just six years, has transformed a cartel of Victorian friendly societies into some of the fastest and most sought-after players in the international capital markets.

Happening as it did against the backdrop of a distraught savings and loans (S&L) industry in the US, this evolution testified not just to the agility of society treasurers but, more surprisingly, to the vigour of management roadshows which won hearts and minds in the hard-nosed money centres of Tokyo, New York, Zurich and Frankfurt.

Supporting these high-profile excursions, the development of sophisticated risk-management systems secured wholesome credit ratings from US and Japanese agencies, a tough but salutory process essential to winning competitive access to international markets. Critical to ratings awards, according to Barry Hancock, of Standard & Poor's, is the quality of asset and liability (A&L) management: while weight is also given to market position, capital adequacy and regulatory environment, "A&L management is," he says, "the glue that binds discussion of assets and funding."

The learning curve for the major treasuries has been steep – starting in 1983 (when building societies were permitted to take time deposits and issue, first, certificates of deposit (CDs), then Eurobonds) to a point where aggregate wholesale borrowings now run close to $50bn. Their transparent success in negotiating this learning-curve coincided with a fast-growing need for supplementary funds to finance swelling mortgage demand while harmonising asset and liability maturities.

In combination, these imperatives set a quick pace of change for the Building Societies Commission. Responding creatively (bowing perhaps to the inevitable), the regulatory authority introduced a suite of liberalisation programmes in this period – including the twofold increase to 40 per cent in the permissible ratio of wholesale funding to total liabilities, a cautionary go-ahead for option and Liffe (London International Financial Futures Exchange) hedging operations and, most importantly, the legitimisation of interest rate as well as currency swaps.

Currency swaps define the cross-roads of the business, often enabling treasuries to convert into Libor (London Internbank Offered Rate) or sub-Libor sterling debt foreign currency liabilities covered by forward exchange contracts.

According to David White, of J.P.Morgan: "The ability to swap is clearly the most effective means of reducing funding costs by exploiting arbitrages between bond and swap markets and, in particular, between currency markets."

Astute exercise of swap opportunities not only cuts wholesale borrowing costs, it also enables treasuries to align their asset and liability maturities with the added advantage of "compounding" monthly mortgage interest receipts against quarterly wholesale interest payments.

Backstopped by syndicated bank credits, societies can now tap a comprehensive mix of instruments in the denomination of their choice. Most popular targets are the markets in US commercial paper (which was quick to recognise the structuralsuperiority of UK societies over US S&Ls), Eurocommercial paper and, increasingly, Euro medium-term (1½-5 year) notes which, under the leadership of a dedicated dealer group, offers greater availability and tighter spreads than short-dated Eurobonds. Active use is also made of sterling and Eurodollar CDs, and of floating, variable (auctioned) and fixed-rate notes in all fungible denominations and in the Ecu.

**The ability of the larger societies to invest in advanced treasury skills and supporting control systems has inevitably widened their competitive advantage over the smaller societies, which find themselves ostracised by the Euromarkets**

Complementary to wholesale funding, the issue of subordinated debt (permissible up to 50 per cent of reserves) achieved popularity in 1988 (Nationwide Anglia sold the first subordinated bonds in January of that year). Investor interest in buying building society debt, particularly among traditional holders of long-dated paper, such as pension funds and insurance companies, sharpened with the withdrawal of a surplus Exchequer from the gilts market at a time when the societies were looking increasingly towards capital ratios as a performance criterion.

This market also offered attractive swap opportunities. The Halifax, for example, exchanged the proceeds of a £50m 25-year subordinated bond into floating rate for the full period of the coupon – "probably the longest swap of its kind ever contracted," according to the treasurer, Mike Ellis.

The ability of the larger societies to invest in advanced treasury skills and supporting control systems has inevitably widened their competitive advantage over the smaller societies which, lacking an adequate digestive capacity, find themselves ostracised by the Euromarkets and often subject to stiff commitment fees by the banks.

"Size is critical to accessing the wholesale markets," according to Kevan Keegan, of UBS Phillips & Drew. "If ever there was an argument for merging the smaller societies it is this one."

Alternative routes out of their dilemma might include the sale of subordinated debt and, more adventurously, "securitisation" – the issue of tradable paper or a syndicated loan (known as "passthrough") against a selective portfolio of mortgage assets (effectively selling home loans on to a secondary market). So far securitisation has been confined to the mortgage-lending banks; but, since July, building societies have been enabled to securitise mortgages through a subsidiary up to the 40 per cent limit applicable to wholesale funding.

According to Bruce Gaitskell, who manages a £2bn mortgage securities portfolio for Canadian Imperial Bank of Commerce: "The most compelling argument for securitisation is the theoretically limitless, increased gearing and hence return on capital that it offers." But a countervailing disadvantage is, he says, "the cost and time of preparing a new issue."

Whether or not this opportunity is exploited by the smaller societies, the outlook remains that, propelled by aggressive treasury profit-centres, the major institutions will increasingly dominate the industry.

The prospect of an elite community of performance-rewarded treasurers playing the wholesale yield-curve while farming out a limitless flow of agency-negotiated Triple A mortgage securities may appear far-fetched from where we stand. But who can say? We live in unusual times.

**Eoin Belton**



Profile: **Yorkshire Building Society**

# An innovator reaches the top five

SEVEN OF the top 20 building societies are to be found in west Yorkshire. Yorkshire Building Society, the 12th largest by asset size, is one of the less well-known.

Last year, it pushed itself into the top five in the UBS Phillips & Drew performance table, climbing faster than any other society. At the same time, it has sent out signals indicating a distinctive strategy.

Yorkshire was the first society to buy a stake in a stockbroker; the first to open money advice centres; and the first to break ranks with Halifax by putting its mortgage interest rate up earlier and higher. And, though most other large societies (apart from neighbouring Bradford & Bingley) have opted for tied status under the Financial Services Act, Yorkshire is sticking to independent status.

**Core business is growing. In last year's depressed market, the society lent 10 per cent more than in 1988**

Mr Derek Roberts, chief executive, believes that, contrary to accepted theory, which holds that medium-sized societies are in the greatest danger, medium-sized ones like Yorkshire can perform strongly.

"The very big societies face massive problems in a dynamic market-place," he says. "Look at the table of performance, and you see medium-sized societies doing well in the top five or six. In fact, I would say 'medium is marvellous'."

With assets of £2.7bn in 1988 and 140 branches, Yorkshire is not one of the giants. But its core business is growing steadily. In last year's depressed market, it lent £648m – 10 per cent up on 1988 – and it aims to push its mortgage lending to around £700m this year.

If this happens, it will be the third successive year of mortgage lending growth in a depressed market.

This has been achieved despite Yorkshire's desire to woo savers. The society raised its mortgage interest rate to 15 per cent in October, ahead of Halifax's move to 14.5 per cent, saying that this was the "lowest possible rate consistent with remaining competitive on the investment side."

Like other societies, it has strikingly diversified its mortgage product range in the last two years. The Easistart mortgage, launched last May, defers interest of 2.75 percentage points for two years. Capital Key, an equity-release mortgage plan, allows borrowers to draw up to 15 per cent of the value of their home, from a minimum loan of £5,000 – the scheme includes an insurance policy to guarantee that the borrower retains at least a 15 per cent stake in the property. Mortgage Rapide offers to secure customers a mortgage in 24 hours.

The overall objective is growth in profits rather than growth of assets. Last year, says Mr Roberts, the society succeeded in reducing its management expenses to below the industry average for the first time for several years. It is also engaged in a quiet restructuring.

Derek Roberts: 'Sometimes it makes sense to close two branches and open one big one in their place'

"We have closed 15 per cent of our branches over the last four years, quietly and without fuss," says Mr Roberts. "As a result, we are now down from 165 to 140 branches. Sometimes it makes sense to close two branches and open one big one in their place."

What he does not want to do is disrupt Yorkshire's existing customer base or sow the seeds of discontent among staff, as changes at some neighbouring societies have.

The society was created through a merger in the 1970s. Like many building society mergers, it was a debilitating experience for the first few years. In fact, it has taken almost a decade for a strong new corporate identity to crystallise.

"Staff morale is very important," says Mr Roberts who, in planning Yorkshire's expansion, has taken care not to overburden staff with complicated new products or to expect them to be able to give customers detailed financial advice.

This is one reason why the society has its own distinctive innovation in the market: 12 money advice centres, located in towns of over 100,000, giving independent advice to the growing number of people who have large lump sums to invest.

"We created a trial advice centre in Castleford, and when the trials looked encouraging, we decided to set up others," says Mr Roberts.

The society has 20 estate agencies, acquired or in some cases "cold-started", because it seemed to be a necessary defensive move. It plans to have about 100 by the end of next year.

**Since the merger, it has taken almost a decade for a strong new corporate identity to crystallise**

A more daring move, when some societies are pulling out of share-dealing, was Yorkshire's decision to increase its stake in BWD Securities, a Huddersfield stockbroker. In the summer of 1988, it bought a 4.9 per cent stake, which it increased to 19.9 per cent in January. BWD offers investment services to Yorkshire's 750,000 customers through its financial advice centres.

Other chief executives wonder whether Mr Roberts is making money on the BWD deal. He, however, is buoyant about his society's prospects for long-term profitability and retention of independence: "A year ago, I would have said that a merger was a possibility for us. Now I don't."

**David Barchard**

TOWARDS 1992

# Rules at home delay export of mortgages

WHILE THE approach of 1992 and the single European market has generated a flurry of activity in other financial sectors, for building societies it represents uncertainty.

The insurance industry has seen a wave of cross-border mergers and joint ventures, and this is now being followed by the banking sector.

The irony is that, while three years' argument in Brussels about the Second Banking Co-ordination Directive (the banks' passport to the European Community) was resolved in December, building societies, because of British legislation, still face considerable restrictions on their ability to operate across the Community.

The Building Societies Act 1986 does not allow them to operate directly in other EC countries. Although section 14 of the Act does allow them to lend outside the UK, the power to do so must be conferred by Treasury order. At present, the Treasury has only made orders allowing societies to lend in the Channel Islands and the Isle of Man.

**Potential changes in mortgage price**

| | % |
|---|---|
| Spain | +118 |
| France | + 78 |
| West Germany | + 57 |
| Belgium | + 31 |
| Ireland | − 4 |
| Netherlands | − 6 |
| UK | − 20 |

The table shows the estimated potential changes in mortgage prices as a result of completing the internal market: percentage difference in price of mortgage, compared with the average of the four lowest prices.

*Source: Mortgage Finance in the EEC and the Impact of the Single European Market (Price Waterhouse, July 1988)*

If societies want to go into other EC countries, they must do so through subsidiary companies. From there, the complications increase. The Act does not allow them to offer a full range of services, as the business must be mainly secured lending.

Furthermore, any investment in a subsidiary must be counted as a Class 3 asset, and societies are limited by the amount of Class 3 assets they can hold. This limit is gradually being raised to reach 15 per cent of total commercial assets by January 1993. But it will still place a severe restriction on their ability to operate across Europe even after that date.

"Societies do not really profit from the Second Banking Directive," says Janet Thomson, European development manager of the Woolwich Building Society. "We would have to go in to the EC with a subsidiary company subject to host-country control."

If societies, or any other specialised mortgage lender in Europe, feel that they are restricted by their own country's legislation, the European Commission has said this can be challenged in the European courts. But this would cost time and money. In addition, the Second Banking Directive does not cover specific financial techniques in the way that the now-shelved mortgage credit directive did. So, for example, a building society might find it difficult to operate in Belgium, where variable interest rates are not allowed.

The competitive disadvantage, which societies will be left with after 1992, is likely to reinforce the trend towards common legislation and regulation for banks and mutual institutions across Europe. (The West German Bausparkassen and Danish mortgage companies are among other specialist financial institutions whose movement across Europe will still be restricted because of domestic legislation.)

But if building societies are eventually put on an equal footing with their competitors, what does the rest of Europe offer them?

As Japan seems forever able to produce hi-fi systems more efficiently than its European competitors, so Britain seemingly has a comparative advantage in mortgage lending, and should therefore be able successfully to export the service.

Last year, Price Waterhouse, the accountants and management consultants, produced a report (Mortgage Finance in the EEC and the Impact of the Single European Market) for the European Commission, which looked at the implications of completing the internal market.

It compared the difference between mortgage rates and money market rates in eight EC countries, and compared each difference with the average of the four lowest priced countries. By assuming that an open market will drive prices down to the lowest level, Price Waterhouse calculated which countries' consumers stand to gain most from the internal market.

Spanish home buyers are currently getting the worst deal from their mortgage lenders. They should, therefore, see the biggest price falls after the single market is completed. At the other end of the scale, Britain is the most efficient producer of mortgage lending, and its lenders should do well if they choose to export their techniques abroad.

The price difference between Britain and Spain, together with a fast-growing economy, was first exploited by the former building society Abbey National, which entered the Spanish market in 1988 in a joint venture with the Swiss insurance company Winterthur. Abbey National has since moved into Italy, and last month bought the French mortgage company FicoFrance.

But opinions differ as to whether this will mean more or less competition in each country. In Britain, where some 25 continental and North American financial institutions have established a significant presence in the past two years, Trevor Bayley, finance director of Britannia Building Society can see little room for further competition.

"If the UK becomes much more competitive than it is now, this will merely lead to a substantial number of lenders withdrawing from the market," he says, "although I do think some lenders will come here to learn from British lending techniques and then take them back to their own countries."

However, Janet Thomson, at the Woolwich, believes competition in Britain after 1992 will become even more intense. "Profit margins play an important part in the attractiveness of any market, but what also counts for potential entrants are the ease of entry, distribution and having an established market," she says.

"There is always an opportunity for efficient new entrants to win market share at the expense of the less efficient ones."

Leigh Drake, a lecturer in economics at Loughborough University and a consultant to Euro Brokers Sterling, suggests that greater competition after 1992 could weaken the position of British building societies in their own market. Although it could be argued that most of the potential entrants to the British market already have a presence there, because the UK has the most open financial system, the most significant threat may emerge from American and Japanese institutions, which see Britain as an obvious base for any European expansion plans.

The current state of EC legislation is such that a Japanese bank could set up in London, Frankfurt or wherever, and have easier access to the European market than a British building society. Whatever happens in Brussels or Strasbourg to make life easier for specialist mortgage lenders across Europe, it is certain that historically nurtured monopolies in all the EC countries will crumble under the weight of greater competition.

**If societies want to go into other EC countries, they must go through subsidiary companies. Complications then increase. The Act does not allow them to offer a full range of services**

Only a handful of societies have drawn any battle plans for Europe after 1992. Last month, the Woolwich announced that it was looking to Italy for a joint venture later this year. The Halifax has a unit looking at options for the society in the Community – chief executive Jim Birrell says the Halifax has a clear European strategy:

"We know what we want to do and where we want to be. The Halifax is, at the moment, involved in both direct negotiations and is exploring possibilities for joint ventures. But getting it right is more important than being in a hurry."

Distribution will be the key to success in Europe. But setting up a branch network from scratch would be too costly, and buying a locally-based institution would also be difficult for mutual building societies with limited access to capital. So joint ventures with other European institutions look the best option for societies. But before they get a chance to make a major impact on the rest of Europe, societies will need help from the lawmakers in Brussels and their own regulators, to give them at least a fighting chance in post-1992 Europe.

**Neil Madden**

*Editor*
*Building Societies Gazette*

## The rush to compete with banks has slowed down

# Accepting their limitations

IN THE spring of 1987, Nationwide Anglia, then the third largest UK building society, launched FlexAccount, the first mass-market current account in the UK to pay interest. It was a bold move which paid off.

Three years later, Nationwide Anglia has 1.1m current account customers. But it is no longer alone in the market. All the large UK banks and the top three building societies now also offer cheque-book current accounts. FlexAccount has, at least for the time being, stopped growing.

The rush by building societies into new areas of business where they can compete with the clearing banks has also slowed down. Many of the early banking products sold by societies were, in fact, not their own products but those of a bank, saving a building society development costs on a product but also effectively reducing it to a sales outlet for somebody else.

The first wave of building society credit cards, cheque books and personal loans belonged to this class. Personal loans came from experienced lenders like Forward Trust, Lloyds Bowater and Chartered Trust. FlexAccount is still cleared by the Co-op. Nationwide Anglia's credit card is a Midland Bank Access card, while Alliance & Leicester's Visa card came from the Bank of Scotland.

Much of this diversification was a response to the clearing banks' entry into the mortgage markets in the early 1980s, as well as the growing perception among the societies with broad customer bases that many people wanted banking services such as cash machines as well as savings accounts earning interest.

In the last year, however, the mood has changed. Societies are now strongly aware of the constraints of their scale upon them. Halifax's 742 branches leave it well behind any of the big four clearers. Its assets of around £40bn are about £10bn below Lloyds Bank, the smallest of the big four, though well ahead of the second-tier banks, Royal Bank of Scotland, TSB, and Bank of Scotland. Nationwide Anglia's assets, at £24.3bn, are in fact just ahead of RBS.

The core capital of building societies is usually smaller too. Halifax has core capital of £1.5bn, compared with the £3.2bn of Lloyds Bank, though Nationwide Anglia is fairly evenly matched against RBS.

Other building societies services lag behind the banks, too. The Link cash dispenser system, even though it now includes the machines formerly belonging to Halifax and Matrix (a rival network which merged with Link a year ago), is still outstripped by the combined networks of the banks.

Building societies have hit other obstacles, too, in their attempts to enter the banking system.

Though the larger societies have volumes of transactions which qualify them to join all the subsidiaries of the Association for Payment Clearing Services (Apacs), the inter-bank payment and clearing scheme, the smaller societies in the top 10 and below do not.

Among medium and smaller societies, the mood seems to be that they will do best by concentrating on their traditional specialist activities: savings and loans. Market conditions currently favour the building societies' mortgage business and hurt that of the clearing banks, some of whose mortgage operations are probably operating at a loss. However the banks have not withdrawn from the mortgage market, and when the housing market revives, so will the competition they offer.

As far as other services go, smaller societies that aim to offer all-round banking services – Norwich & Peterborough (number 21 in the societies' league table) being the best-known example – are exceptional.

That leaves a small group of the largest societies – Halifax, Nationwide Anglia, Woolwich, and Alliance & Leicester – whose size leaves them with little option but to confront the banks with a broad range of products and services for the personal customer.

Even the societies in this group do not find it easy to compete. Their investment in information technology is a trickle compared with that of the banks, and each investment decision has to be carefully considered.

"We can't do everything," John Bayliss, director of Abbey National, was fond of saying, before his society's flotation. Other societies agree.

Building societies, even the largest, do not command investment resources comparable to those of the banks, and much of their spending has been channelled into the development and expansion of their estate agency operations. A report by the city stockbrokers UBS Phillips & Drew last year claimed that the top five clearing banks made investments averaging £175m on branch fixtures and fittings in 1988, compared with an average of £33m for the top five building societies and £4m for smaller societies in the top 20.

The view that larger institutions, with an equity capital base, find to easier to develop new products and market them to their personal savings customers has its critics. The Building Societies Association believes that the size of a society is not necessarily an indicator of its performance, and that success depends on management quality and the ability to deliver products to the right customer at the right time and price.

Nevertheless, there have been some clear indications of constraints on building societies over the last few years. Halifax, despite its size, was deterred by the high costs of launching a cheque-book current account until well into 1989. Abbey National, during its last few months as a building society, decided to shelve the launch of its own credit card because of the expense. Where cheaper alternatives to cheque-books and credit cards have appeared, the building societies have eagerly adopted them.

Most large societies are currently preparing to issue Switch, an electronic-only debit card scheme launched by National Westminster, Midland, and Royal Bank of Scotland. Nationwide Anglia plans to issue one of Visa's new-style Electron cards, which operates in a similar way to Switch. When Switch is established (so far it has only a limited number of terminals, mostly in large supermarkets) it will provide many building societies, which could not afford a cheque-book, with an alternative payment instrument to offer customers.

Competition in open banking markets is also producing other changes in the large societies. Last autumn, two large societies, Nationwide Anglia and Leeds Permanent, announced the first large scale branch cuts in the building society industry.

Nationwide Anglia shed 150 of its 883 branches, with the loss of 400 jobs. Leeds Permanent closed 60 of its 481 branches, with 150 jobs lost, and shut 24 estate agencies. In most cases, the branches were small operations on the outskirts of large towns, relics of the days when the main purpose of the two societies' branches was to collect as many savings customers as possible.

**David Barchard**

**THE TOP TEN BUILDING SOCIETIES: 1988**

| | Number of branches | Total assets (£m) | Total capital (£m) | Capital/ public liabilities | Profit before tax/mean reserves (%) |
|---|---|---|---|---|---|
| Halifax | 745 | 40,405 | 1,822 | 4.8 | 33.9 |
| Nationwide Anglia | 874 | 24,342 | 1,295 | 5.7 | 24.1 |
| Woolwich Equitable | 548 | 13,494 | 616 | 4.9 | 24.1 |
| Alliance & Leicester | 410 | 11,413 | 682 | 6.5 | 31.1 |
| Leeds Permanent | 482 | 10,219 | 517 | 5.4 | 32.3 |
| National & Provincial | 321 | 7,509 | 408 | 5.8 | 29.8 |
| Bradford & Bingley | 251 | 5,694 | 270 | 5.1 | 28.6 |
| Cheltenham & Gloucester | 175 | 5,668 | 261 | 4.9 | 36.8 |
| Britannia | 247 | 5,338 | 249 | 5.0 | 28.3 |
| Bristol & West | 171 | 3,429 | 221 | 7.0 | 23.3 |

Notes: societies presented in order of total asset size. All have year ends December 31 1988, except Halifax, Leeds, Nationwide Anglia and Woolwich Equitable

*Source: UBS Phillips & Drew*

HOUSING INITIATIVES

# Acumen touched by conscience

THERE HAS been phenomenal growth in building society investment in housing initiatives since the Building Society Act 1986 freed societies to move outside their traditional areas.

Gradual relaxation of the rules by the Building Societies Commission has meant that, as from the beginning of this year, societies are permitted to invest up to 17½ per cent per cent of their commercial assets outside the provision of residential mortgages to home owners.

General opinion is that the movement is investing wisely. Selected opinion is that this phenomenal growth represents "peanuts", compared with what the societies should be doing, and that their rates are too high.

Mr Douglas Smallwood, manager, housing products, at the Halifax, admits that this is a "difficult area". He says: "People think we ought to be lending money to social housing on cheaper terms than mainstream lending. But we regard it as a business operation. We have to, because of the capital backing position. Having said that, there is a social side to it."

Although the newly entrepreneurial societies have chosen widely different types of housing initiative, the movement would probably endorse Mr Smallwood – resoundingly so when it comes to the bottom line. Yet societies still seek, by and large, to be involved in works of social conscience. Funding and development tend to concentrate on the first time buyer, the elderly, tenants on the bottom rung of society, and local people edged out by wealthier incomers.

Sometimes the work is also targeted at derelict areas or rehabilitating buildings that locals don't want to loose.

Societies such as the Woolwich, via its newly established subsidiary Woolwich Assured Homes, are trying to bring flexibility to the housing market by creating homes for rent and targeting them at newly apparent groups in need: those waiting to sell; the divorced partner with nowhere to live; the elderly who have to sell in order to avoid the cost of house repairs; and those moving into new areas.

The attitude is a mixture of commercial acumen with a dose of philanthropy.

Two factors have allowed societies to stand firm by their traditional expertise in social housing. The first is that the local authorities, for which social conscience is a legitimate activity, are increasingly working in partnership with societies to house their waiting lists.

The second is that, since the Housing Act 1988, housing associations supported by government have to find an average of 25 per cent of their money from the private sector. The societies were first off the mark to respond, and are only now being toppled as the leading private funders of the Housing Corporation by the quickening interest of the banks in this sector.

Building societies provided about £200m of the £400m which the private sector allocated to the Housing Corporation in 1988-89. The chairman of the Building Societies Association, Frank Strickland, suggests that this could reach more than £1bn a year by 1992, a figure which sounds feasible when one considers that the Halifax made available nearly £100m in 1988-89, and that National & Provincial recently committed £20m every year for the next five years.

At the jazzy end of domestic property investment is the Nationwide Anglia, which is about to launch its fourth BES fund. The £23m raised so far is invested in 350 properties. Nationwide is also the majority backer of its associated company Quality Street, which put £75m into rented housing last year, to be followed by a further £200m over the next two years.

While 40 per cent of this money is invested in top-quality homes for executives and holiday home owners, and should yield a high rental income, the company holds to its initial promise that it will, with the rest, "cater for everyone who needs a home: the homeless, waiting-list applicants and special needs groups." The Society also has a housing trust, which put £169m into development last year.

There have also been high-profile investments recently by the Halifax, which put £68m of its £400m annual spending on housing initiatives into funding the takeover of Sevenoaks District Council's 6,353 properties by the West Kent Housing Association. National & Provincial has lent £47m to West Berkshire Housing Trust, to take over the entire housing stock from Newbury Council.

National & Provincial also put £115m into the fashionable self-build sector, by financing more than 100 self-build groups. While a company like Woolwich Assured Homes expects to be self-supporting within 10 years, the Woolwich Equitable, like other building societies, supports independent organisations that have been set up solely to advise and implement urban regeneration, such as Focus and Probe.

The thunder belongs to the big societies but the small ones are stirring as well. Although they have not yet been attracted to work with the Housing Corporation, which receives 98 per cent of its society funds from the top 15, they are often active locally. Sussex County, for example, is typical in providing finance to its local council, Lewes District Council, to finance 24 new village homes, of which 20 are for locals on the waiting list. The range of investment by building societies, both as developers and by funding third parties, has added flexibility to the market and a human face to development.

**Building societies provided about £200m of the £400m which the private sector allocated to the Housing Corporation in 1988-89**

They have brought to the housing market a variety of instruments for short and long-term debt, from index linked-funding, rolled over financing and, recently, fixed-interest deals. They are also, and increasingly, co-operating with a wide range of bodies, such as new town corporations and local councils, to cut the cost of housing. Typically, this involves separating the cost of land from the bricks and mortar, and setting up shared equity ownership.

Yet those who have to house the homeless are unimpressed. "Building societies are not being very brave," says David Page, head of housing services for the National Federation of Housing Associations. Referring to the relatively modest sums with which this huge movement backs the Housing Corporation, he describes their funding as "peanuts, though the risk is minimal".

Phillips & Drew's analyst, John Wriglesworth, is more cautious. He admits that the bigger societies lend well within the limits permitted to them by the Building Societies Commission. He also allows that there are no problems with capital adequacy. But, like the Commission, he warns that, in the new business areas in which they are now working, it makes sense to be going slowly slowly."

The anger from some bodies towards the societies would probably be better directed elsewhere, at the combination of factors which suggest that, in the opinion of the National Housing Forum, there will be a shortage of 1m homes in 10 years if present policies continue. "In terms of social housing, our finance cannot replace public subsidy," concludes Mr Smallwood, at the Halifax. "What it can do is make that subsidy go further."

**Jemima Kallas**

David Barchard considers the smaller societies' fight for survival

# Home-town names are still helpful

THE FIRST event at the annual Building Society Association conference is usually a special seminar for small societies. While the giants of the industry battle in the retail banking markets, about 90 smaller societies have to work out how to survive in a world they never made and their 19th century founders never dreamed of.

Some very small societies are now disappearing altogether. St Stephen's Building Society, a relatively new one with 300 members and assets of £2m, decided to disband itself earlier this year after it discovered that it would have to retain a staff of seven people to comply with Building Society Commission rules.

Other societies are disappearing in mergers intended to help them to reach a critical market size. This year has seen the Regency & West of England merge with the Portman Wessex to form the Portman Building Society, which will be a strong regional society with a place in the top 20. A spate of similar mergers, masterminded by Mr Philip Court, the former chief executive of Birmingham Midshires, created a prominent new society in the Midlands, ranking 11th by size.

Since the Abbey National flotation, it has generally been assumed that the very large societies would face a members' revolt if they attempted the sort of merger between big societies which were common in the 1970s and earlier, and created Alliance & Leicester, Nationwide Anglia, National & Provincial, and Yorkshire.

Small societies do not yet face this problem, though cash compensation, usually around 4 per cent of deposits, has been paid out in two recent mergers: the takeover of the Guardian and the Bedford by Cheltenham & Gloucester, and the Regency & West of England merger with Portland Wessex. In the latter case, a ceiling of £100 was placed on the cash benefit to saving members.

The cash is compensation to members for loss of ownership of their society, and is paid out of the reserves of their society. This exposes those with reserves well above the 4 per cent minimum to possible action by groups of members seeking a takeover, which would allow them to strip the society of its surplus reserves. National Counties, for example, with assets of £240m, but with no branches, looks one obvious case. Last year, its gross reserves were reported to be a whopping 20.7 per cent.

Talk of asset-stripping and takeovers strikes many smaller building society executives as unfair. Peter Turley, formerly a general manager at Skipton, the 1th largest and something of a star performer in the industry, last year took up the job of running Scarborough, at the bottom of the top 50. Scarborough has assets of £177.3m, and a network of 20 branches, relatively large for its size.

"This is an exciting job, and I am conscious that this is a lively and very professional business," says Mr Turley. "There are the compensations that you always enjoy in smaller organisations, that you can know everyone you work with. You wouldn't get that at Halifax."

Mr Turley says he has no plans for to change the society's status. But Scarborough is working very closely with a Dutch bank. It is difficult not to feel that the society's 20 branches might eventually turn into a springboard for UK retail banking operations.

Some smaller societies are large enough to be able to think about a certain amount of diversification, provided they work with an outside supplier. At Barclays Bank, the largest of the big four clearers, Don Barratt, corporate finance director, has been offering some societies what it describes as "mutually profitable and non-competitive business" over the last two years.

Three building societies, West of England and Regency (now united by a merger) and Portsmouth have been given access to Barclay's ATM (automatic teller machine) network. Barclays says it is negotiating similar arrangements with three other societies.

Five societies, including Halifax, also have clearing and cheque-book services. Halifax, the industry leader, seems to have felt that a cheque-book service provided through Barclays was not what it was looking for and the new Maxim cheque book account will be processed by Halifax for itself. But for a smaller society, such as Regency, co-operation with Barclays, enabled it to answer customer calls for the service.

Most smaller societies would not dream of issuing a cheque-book. They are firmly rooted in the original savings and loans business envisaged by their founders. Very small operations, bearing the name of their home town, may still have something of an edge over other institutions when it comes to local knowledge of potential customers and risk assessment.

This can allow smaller societies to take on business which larger lenders would not look for. "They take on higher risk mortgages for a year or two at higher rates; and, if the mortgage fails, they probably recoup their costs in insurance and perhaps penalties and the sale of the house in a rising market. If the loan goes well, they can expect the lender to remortgage to someone cheaper in a year or two. But they still do quite nicely," says one chief executive of a top 20 society, about this smaller competitors.

So, while the steady intensification of market pressures is leading some societies to drop by the wayside, this is by no means always the case. Entrepreneurial management can yield impressive results. At Walthamstow, the number 40 society, with assets of £279.4m and 11 branches, Michael McCarthy, chief executive, says that, on taking the helm, he decided to concentrate on running the society's mortgage business competitively, and has been able to drive profit growth steadily upwards in the last four years.

Building society status means that chief executives such as Mr Turley and Mr McCarthy do not have to look over their shoulders at potential predators – at least for the moment. Without the protection that mutuality provides, neither society could expect to remain independent for long.

Whether or not this sheltered environment will continue indefinitely is less clear. A few successful friendly takeovers of building societies could give members of other small societies an appetite for the cash benefits that come from selling their ownership. But it is by no means inevitable that this will happen.

Profile: Andrew Longhurst of Cheltenham & Gloucester

# 'An open door and hands on'

LAST WEEK, Andrew Longhurst, chief executive of the Cheltenham & Gloucester, unveiled his 1989 results: assets up 28.3 per cent, mortgage lending up 26.7 per cent at £1,886m, and pre-tax profit growth of 26.4 per cent to £107.8m.

Yet again, Cheltenham & Gloucester moved up a place in the top 10 of the building society league. The society now ranks as number seven by asset size, and is breathing hard down the necks of National & Provincial. Mr Longhurst predicts that, by the end of this year, he will have overtaken N&P and that his society will stand at the threshold of the top five.

By general agreement, this is the fastest track record of any society, but it has not been achieved by diversification into new lines of business. "We stick to our knitting and target rich people. We don't go for small-transaction current account business. And we hold our management expenses down. They make it all possible," says Mr Longhurst.

While the ratio of management expenses to total income for the industry has stayed between 54 per cent and 48 per cent over the last five years, at Cheltenham & Gloucester it has stayed firmly in the lower thirties, peaking at an all-time high of 33 per cent in 1987.

How is it done? "It's fairly simple," says Mr Longhurst. "We concentrate on straightforward products like our Gold Account, which is a no-strings, no-penalties account and simple for staff to understand and administer." About £5bn of C&G's total £7bn in deposits is held in Gold Accounts.

The chief executive also believes in keeping branch numbers to a minimum – currently around 172. "We have few branches for our size."

In the last few years, there has been modest expansion of the branch network, but it has been achieved by friendly takeovers of smaller societies. Again, the formula is simple. One of Mr Longhurst's top executives visits smaller societies which might be interested in a merger. He explains how the market is going to get steadily tougher for them. He offers executives and directors an easier future inside the C&G.

Directors of the smaller society will be offered a future on a local board – at a fairly modest fee of £3,000 a year. The local board is not just camouflage for the takeover: it is there to help staff in the branch to integrate with the C&G, and sometimes its role can grow beyond its original limits. In East Anglia, for example, the C&G has a regional board, formed out of a merger with the Colchester Building Society, which is growing in importance as C&G expands its business in East Anglia.

*Andrew Longhurst sees no benefits in plc status*

Business growth at C&G is fed by slightly cheaper mortgage rates (last year, the society offered a discount to new customers of one percentage point between February and July) and slightly higher interest rates than the large societies. Mr Longhurst believes that existing customers are not upset by the discount to new customers. "It is best to have help in the early part of the mortgage's life," he says. "And 96 per cent of our customers enjoyed similar advantages when they started out."

What customers do not get at C&G are cash-withdrawal facilities and cheque-books. The society's one sortie into new lines of business has not encouraged more experimentation. C&G has 18 estate agencies, a regional operation rather than a chain. Last year, it lost £1.5m, part of the losses coming from the closure of four agencies.

It is a distinctive style of management from a chief executive who describes himself as "open-door and hands-on".

Mr Longhurst came to Cheltenham & Gloucester from the computer industry, after a university education at Nottingham where he read maths and statistics. He cut his teeth selling and installing computer programmes to the insurance industry in the mid-1960s. In 1967 he joined the society and has stayed with it ever since, moving by stages from computers into administration, and then into branch business.

In 1982, he was made chief executive of the C&G. "I am now the longest-serving chief executive in the top ten of the building society industry," he says. "But not the oldest."

His tenure has coincided with a revolution in the industry, which many believe will see the smaller societies disappear.

C&G would be one of the most attractive of all societies for a merger with a bank or insurance group. Mr Longhurst, once tipped as a likely front-runner in the plc conversion stakes, now takes a rather long term view.

"I see no benefits in converting to plc status," he says. "There is nothing we could do as a plc that we are not capable of doing as a building society. There is no point in us converting just to do new things, and I see no problems for us on capital adequacy, because we are very profitable."

However, he admits that this situation will not last for ever. "The actual availability of mortgage business is my main concern. It may be that there will be pressures on all societies and we will not be able to grow and keep our costs down. At that point we might join forces with an existing plc and function as an originator inside a group. That way forward is a possibility."

That possibility seems remote at the moment, as Mr Longhurst carries the society forward, combining an up-market image with a low-cost operation, to yield profits and growth well ahead of his industry.

**David Barchard**

Performance measurement

# Rivalry spurs curiosity

WHEN CONSIDERING a building society's performance, one usually thinks of the relative attractiveness of the rates of interest offered on the savings accounts, or how cheap its mortgage rate is.

However, over the last few years, there has been a fast growing interest in the financial and market performance of building societies – i.e., their profitability, market shares and acquisition activities.

The main reason for this is the greater variety and number of institutions now either undertaking business with societies, or competing against them in a number of financial markets. This has been largely a result of the diversification undertaken by societies, since the Building Societies Act 1986.

Examples of those who are becoming more interested in societies include:

■ **Banks and insurance companies as competitors.** Building societies, along with banks and insurance companies are now competing in each other's markets. Competitor analysis undertaken by such institutions has thus become more important, compared with the days when each stuck to its own specialist business.

■ **Professional institutional investors in the wholesale funding markets, and credit rating agencies.** Building societies are now very large and frequent borrowers in the wholesale markets. Institutions lending to societies are concerned not only with the rate of interest offered but also the quality of the debt. This leads to more analysis of the financial strength and performance of the societies themselves, particularly where borrowings are undertaken with repayment obligations as far ahead as 10 or even 20 years.

■ **New business partners.** As societies have diversified into new business areas, they have linked up with many business partners. These include the likes of banks (e.g., for cheque clearing), finance houses (for unsecured lending), insurance companies (life tie-ups and general insurance arrangements), property developers, housing associations), and IT companies (ATM, credit cards, information systems etc). All such business partners (actual and potential) have an ongoing interest in the financial and market performance of the societies they are doing business with.

■ **Advisers and consultants.** Since being allowed to diversify, building societies have been deluged with approaches from all manner and type of "expert", eager to "guide" or "assist" societies in varying business initiatives. Such advisers include merchant banks, stockbrokers, public relations companies, lawyers, and also a mass of management consultants who are keen to advise on practically every issue imaginable and some that aren't.

■ More recently there has been a well publicised interest from companies keen on acquiring building societies. Since Abbey National's flotation, there has been a growing realisation that societies could feasibly make attractive takeover targets. The potential acquirers, which range from global retail banks to domestic insurance companies, have been actively researching all aspects of individual building society performance. At least 40 institutions are currently engaged in such research, and many are in active discussions directly with building societies.

The societies have themselves been heavily promoting greater awareness of the strategy and performance of their businesses. Most of the large ones now have specialist PR departments. Whereas, a few years ago, the press coverage of building societies concentrated mainly on the nature of individual investment and mortgage products, societies are now pro-actively publicising and promoting their new acquisitions, joint ventures and mergers.

In addition, many of the better-run societies have been keen to publicise their annual results. Some have even begun to publish interim statements. As there are no legal requirements for societies to publish interims, the rationale for this trend has more to do with wishing to promote the fact that they are well run, exciting businesses, rather than dull and boring mutuals.

The increased interaction with new business partners, consultants, investors and the press, is helping to create a sea change in the culture of the building society industry. The old club atmosphere and mutual spirit is fast dying. Spurred on by increasing competition in their core businesses, societies are becoming more commercially aware and profit-oriented. There is a danger that, through this change, societies will lose touch with one of their main historic strengths – their friendliness and reputation for providing a quality service.

Societies need to be aware that such a development will immediately attract the attention of this new community of building society watchers, long before it shows through in their accounts, and that independent conclusions will inevitably be drawn.

**John L.Wriglesworth**

*Financial analyst, UBS Phillips & Drew*

The future of mutuality

# Abbey's habit isn't catching

THE FIRST flotation by a UK building society is now history, and, in the eyes of the public at least, Abbey National looks very little changed from a year ago.

The group's board, on the other hand, is now freed from what it seems to have regarded as the fetters of the 1986 Building Societies Act, to compete in the open markets.

Last month, Abbey National made its first overseas acquisition, buying FicoFrance, a French mortgage company. With operations in three EC countries other than the UK, the group looks poised to take advantage of the opening up of European banking markets after 1992.

Despite this, it is currently unlikely that other large societies will follow. The two chief constraints on building societies to change their status – the need for extra capital or new powers – do not seem to be pinching strongly at the moment. Jim Birrell, chief executive of Halifax, the largest UK society, wrote in a recent magazine article that he could see no reason why Halifax should not remain mutual till the end of the century.

At Nationwide Anglia, the second largest since the departure of Abbey National, Daniel Hodson, deputy chief executive and finance director, and a recent recruit from the City, says: "I have steadily moved further away from the idea of plc conversion since joining Nationwide Anglia. The more I get to know the building society world, the less necessary conversion seems to me to be."

Woolwich, the third largest, is a staunch defender of mutuality. It wants to see the building society industry eventually consolidated as mutual retail banks, enjoying freedom from takeover.

Alliance & Leicester would be a more likely contender for a flotation, but it is currently trying to complete its purchase of Girobank, the Post Office banking subsidiary, and may not be in a position to think about going to the market for another year or two.

So another flotation of a large society, along the lines of Abbey National, seems unlikely, at least for several years. The story might have been different if Halifax, which early in 1988 retained N.M.Rothschild, the City merchant bank, to advice it on strategy, had not come down against abandoning mutuality during the summer of that year.

During 1988, however, the market pressures on the large societies suddenly eased after a disastrously difficult year in 1987. When Michael Bridgeman, Building Societies Commissioner, warned the industry in the summer of that year that it had suffered by taking its eye off the ball and not concentrating on its mainstream commercial business, many building society executives were inclined to agree with him.

Further down the league table, however, the picture changes. Medium-sized societies in the "dangerous middle ground" face harder choices about their future than the larger ones with an assured market share. Some, such as Bradford & Bingley, are firm defenders of mutuality and the traditions of the building society industry. Others are either guarded about their plans for the future or even admit to considering dropping mutual status.

Last summer, Norwich & Peterborough, a strong regional society which offers its customers a more diversified range of retail banking products than most small societies, announced that it had retained Kleinworth Benson as its advisers on strategy. This was the first announcement of its sort for nearly 18 months.

Would a society the size of Norwich & Peterborough be able to sustain a stockmarket flotation and stay independent for very long, once its statutory five years of protection against takeover ended? Most observers in the industry say no. They believe society, and its regional branch network and customer base, would fit very neatly into the plans of anyone seeking to enter the UK retail banking market.

Martin Armstrong, chief executive of Norwich & Peterborough, is keeping his cards close to his chest. But an announcement from him would be no surprise.

Less expected in some quarters was an announcement late last autumn, from National & Provincial, the Bradford-based sixth largest society, that it had shelved plans to make an announcement on conversion in the new year. N&P retained J.P.Morgan, the US bank, as its advisers in January 1988; and Ben Thompson McCausland, the society's chief executive, had been the most bullish voice in the industry about plc conversion after the Abbey National flotation.

Just what happened at N&P to stall its flotation plans is not clear. Different explanations are circulating inside the industry. What is plain, though, is that, for a society of N&P's size, a stockmarket flotation would have been a much less easy affair than it was for Abbey National, and the society's savers would have reaped a much smaller cash reward. This would not have been true if N&P had opted for a takeover by an outside company. In takeovers, members are not surrendering their membership to a new plc (which may give them some of its shares, as Abbey National did) but selling their ownership of the society to an outsider. Compensation under the 1986 is correspondingly more generous.

Patrick Frazer, a specialist on the industry, suggests that Abbey National members might have received a cash hand-out of around £500 each in a takeover, rather than a free share issue worth £140.

"It may make better sense for small and medium sized building societies to retain their identity as mortgage lenders inside a bigger financial group which can provide them with other financial services to sell," Mr Frazer says. He predicts that the first takeover of this kind, perhaps by an insurance company or a foreign bank, or even by Abbey National, could be announced later this year.

**David Barchard**

## LONDON STOCK EXCHANGE

# Footsie below 2,300 in poor volume

London's equity market struggled and eventually failed to keep its head above the seen support level of 2,300 on the FT-SE 100-share scale after a session of exceedingly low turnover, bad news from the international bond markets and a bleak outlook on the UK home front.

A late slide, mostly caused by a sudden flurry of selling on the futures markets, left equities floundering and strategists pondering whether the move below 2,300 on the FT-SE represented a decisive crack in the support level.

The market got off to a slow start, with early activity frustrated by problems with the Stock Exchange price updating system. Marketmakers lowered their opening prices, in response to Wall Street's decline on Friday and in the wake of Tokyo's rather surprising dip after the Japanese election victory by the ruling Liberal Democratic Party.

| Account Dealing Dates | | |
|---|---|---|
| First Dealings: | | |
| Feb 12 | Feb 26 | Mar 12 |
| Option Declarations: | | |
| Feb 22 | Mar 8 | Mar 22 |
| Last Dealings: | | |
| Feb 23 | Mar 9 | Mar 23 |
| Account Day: | | |
| Mar 5 | Mar 19 | Apr 2 |

*New time dealings may take place from 8.00 am two business days earlier.

And there was further concern in the markets regarding a possible increase in West German interest rates as German bond prices continued to move lower on fears of the inflationary impact of East/West German monetary union.

The early markdown by dealers in London had little impact however, with institutions content to sit on the sidelines awaiting today's UK bank lending and money supply numbers for January and a series of important trading results. Sentiment was also damaged by by the prospect of a prolonged period of high interest rates in the UK, highlighted in the weekend Press. With no direction coming from the US, where Wall Street was closed for a public holiday, London prices drifted lower for the rest of a dismal session.

Some determined selling during the last hour of business was said by dealers to have been triggered by a sell-off in the futures market which saw the FT-SE futures contract suddenly dip to show a 5½ point discount to the FT-SE index. A US-owned securities was said to have engineered the late decline. The FT-SE, at its worst, showed a 31 point fall at 2,294.9, before steadying and ending the session a net 28.8 off at 2,297.1.

One equity strategist described the market's performance as "slightly worrying; fund managers have been rattled by the weakness in bond markets, including our own."

Others took a more sanguine view. A senior marketmaker said he was "not unhappy" with the market; "Looking back on last week, with its worries about inflation, interest rates, etc, it should have gone down and we needed this sort of shakeout." The real worry for the market, he added, was the shrinking level of business being transacted. By 5pm the number of shares traded in London was just over the 300m-mark, finishing at a lowly 308.3m, compared with Friday's 438.8m.

## FINANCIAL TIMES STOCK INDICES

| | Feb 19 | Feb 16 | Feb 15 | Feb 14 | Feb 13 | Year Ago | 1989/90 High | 1989/90 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 79.89 | 80.48 | 80.87 | 81.38 | 81.11 | 89.04 | 89.29 (8/2/89) | 79.89 (19/2/90) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 90.84 | 90.77 | 91.00 | 91.24 | 90.98 | 98.53 | 99.59 (15/3/89) | 90.77 (16/2/90) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1813.5 | 1836.6 | 1829.5 | 1822.4 | 1818.1 | 1696.9 | 2008.6 (5/9/89) | 1447.8 (3/1/89) | 2008.6 (5/9/89) | 49.4 (26/6/40) |
| Gold Mines | 302.8 | 298.4 | 292.3 | 288.3 | 326.8 | 157.2 | 378.5 (6/2/90) | 154.7 (17/2/89) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2297.1 | 2325.9 | 2313.8 | 2298.3 | 2293.2 | 2065.8 | 2463.7 (3/1/90) | 1782.8 (3/1/89) | 2463.7 (3/1/90) | 986.9 (23/7/84) |
| Ord. Div. Yield | 4.77 | 4.70 | 4.71 | 4.73 | 4.73 | 4.26 | | | | |
| Earning Yld %(full) | 11.60 | 11.45 | 11.38 | 11.43 | 11.44 | 10.67 | | | | |
| P/E Ratio(Net)(*) | 10.44 | 10.57 | 10.63 | 10.59 | 10.58 | 11.39 | | | | |
| SEAQ Bargains(5pm) | 30,830 | 27,485 | 25,443 | 24,198 | 24,025 | 29,459 | | | | |
| Equity Turnover(£m)† | - | 785.13 | 1028.85 | 817.29 | 774.41 | 1087.97 | | | | |
| Equity Bargains† | - | 26,883 | 25,219 | 24,033 | 24,156 | 32,031 | | | | |
| Shares Traded (ml)† | - | 384.7 | 524.8 | 399.5 | 355.8 | 437.3 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. * Nil 10.39

Ordinary Share Index, Hourly changes — Day's High 1830.8 — Day's Low 1811.5

| Open | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1830.7 | 1819.8 | 1820.2 | 1822.6 | 1822.3 | 1821.8 | 1820.2 | 1815.7 |

FT-SE, Hourly changes — Day's High 2318.1 — Day's Low 2294.9

| Open | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 2317.9 | 2306.7 | 2306.9 | 2309.9 | 2303.0 | 2307.9 | 2305.6 | 2300.3 |

### GILT EDGED ACTIVITY

| Indices* | Feb 16 | Feb 15 |
|---|---|---|
| Gilt Edged Bargains | 90.2 | 90.7 |
| 5—Day average | 90.5 | 90.7 |

*SE Activity 1974. †Excluding Intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

## TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ADT | 530 | 186 | −1½ |
| ASDA Group | 1,300 | 111 | −2 |
| Abbey National | 1,000 | 180 | −3½ |
| Allied-Lyons | 885 | 474 | −6 |
| Amstrad | 1,000 | 66 | −1 |
| Argyll Group | 537 | 211 | −2 |
| Ass. Brit. Foods | 883 | 395 | −4 |
| BAA | 530 | 377 | −6 |
| BAT Inds. | 8,400 | 809 | −1 |
| BET | 520 | 242 | −4 |
| BICC | 682 | 415 | −6 |
| [illegible] | | | |
| Brit. Aerospace | 644 | 510 | −14 |
| British Airways | 880 | 198 | −½ |
| British Gas | 3,000 | 225½ | −4½ |
| British Land | 15 | 369 | −7 |
| BP | 5,000 | 348½ | −2 |
| British Steel | 1,000 | 134 | −3 |
| British Telecom | 3,800 | 302 | −4½ |
| Bunzl | 574 | 166 | −3 |
| Burmah Oil | 268 | 663 | −6 |
| Burton | 1,400 | 185 | −6 |
| Cable & Wire. | 1,100 | 545 | −10 |
| Cadbury | 1,500 | 331 | −6 |
| Calor Group | 154 | 355 | −2 |
| Carlton Comms. | 363 | 787 | −28 |
| Coats Viyella | 408 | 131 | −1 |
| Comm. Union | 410 | 504 | −5 |
| Cookson | 713 | 237 | −6 |
| Courtaulds | 1,400 | 375 | −11 |
| Dalgety | 153 | 373 | −5 |
| Dixons | 130 | 129 | |
| Eng. China Clays | 835 | 373 | +8 |
| Enterprise Oil | 186 | 645 | −1 |
| FKI | 5,400 | 58 | |
| Ferranti | 2,700 | 46 | |
| Fisons | 612 | 334 | −2 |
| Gen. Accident | 210 | 1136 | −5 |
| General Elect. | 3,800 | 216 | −2½ |
| [illegible] | | | |
| Hanson | 3,000 | 229½ | −2 |
| Hanson Warrants | 78 | 67½ | −1 |
| Harrisons Cros. | 767 | 143 | −3 |
| Hawker Sidd. | 218 | 638 | −5 |
| Hillsdown | 1,800 | 282 | −4 |
| IMI | 108 | 207 | −2 |
| ICI | 1,700 | 1054 | −14 |
| Inchcape | 335 | 270 | −2 |
| Kingfisher | 1,300 | 280 | −8 |
| Ladbroke | 1,000 | 286 | −6 |
| Land Securities | 1,100 | 490 | −7 |
| Laporte | 340 | 808 | −4 |
| Legal & General | 118 | 380 | −4 |
| Lloyds Abbey | 347 | 315 | −4 |
| Lloyds Bank | 875 | 287 | −4 |
| LASMO | 588 | 684 | −2 |
| Lonrho | 2,200 | 280 | −4 |
| Lucas | 186 | 583 | −6 |
| MB Group | 2,200 | 214 | −4 |
| MEPC | 188 | 496 | −6 |
| Marks & Spencer | 1,900 | 206 | −5 |
| Maxwell Comm. | 175 | 208 | −2 |
| Mecca Leisure | 444 | 150 | −1 |
| Midland Bank | 919 | 363 | −9 |
| NatWest Bank | 1,000 | 333 | −7 |
| Next | 1,400 | 103 | −1 |
| Northern Foods | 149 | 299 | −8 |
| [illegible] | | | |
| Rank Org. | 68 | 789 | −6 |
| Reckitt & Colman | 33 | 1147 | −12 |
| Redland | 70 | 549 | −3 |
| Reed Intl. | 1,100 | 424 | −3 |
| Reuters | 382 | 1046 | −19 |
| Rolls Royce | 702 | 189 | −4 |
| Rothmans | 97 | 680 | −6 |
| Ryl Bk Scotland | 477 | 193 | −1 |
| Royal Insurance | 384 | 504 | −10 |
| STC | 821 | 253 | −6½ |
| Saatchi | 172 | 220 | −5 |
| Sainsbury | 327 | 263 | −4 |
| Scottish & New. | 1,200 | 320 | −2 |
| Sears | 1,600 | 104 | −1½ |
| Sedgwick | 95 | 284 | |
| Shell Transport | 1,800 | 481 | −7 |
| Siebe | 82 | 433 | −2 |
| Slough Ests | 65 | 301 | −5 |
| Smith (W.H.) A | 223 | 315 | −7 |
| Smith & Nephew | 712 | 117½ | −2½ |
| SmKl Beecham | 1,700 | 525 | −4½ |
| SmKl Beecham Units | 0 | 3445 | |
| Smiths Inds. | 88 | 225 | −3 |
| Standard Chartd. | 384 | 606 | −9 |
| Storehouse | 1,350 | 117 | |
| Sun Alliance | 140 | 313 | −4 |
| Sun Life | 15 | 1343 | −10 |
| [illegible] | | | |
| Trusthouse Forte | 673 | 286 | −3 |
| Ultramar | 1,300 | 379 | +1½ |
| Unigate | 315 | 301 | −4 |
| Unilever | 700 | 847 | −8 |
| United Biscuits | 425 | 340 | −4 |
| Utd. Newspapers | 207 | 357 | −2 |
| Wellcome | 250 | 675 | −10 |
| Whitbread 'A' | 449 | 391 | −6 |
| Williams Hldgs. | 437 | 237 | −5 |
| Willis Faber | 834 | 269 | +4 |
| Wimpey | 389 | 240 | −7 |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 6 pm.

# Eurotunnel dip and rally

Eurotunnel advanced against the wider market trend yesterday, having opened sharply lower. The shares were initially quoted at less than £5 on weekend press coverage which had been mixed in its assessment of how Eurotunnel might overcome its differences with TML, the consortium of contractors building the Channel tunnel.

There was soon some reassurance for traders with a statement from Eurotunnel that progress had been made in talks between the it, TML and the banks providing the funding for the project. Eurotunnel recovered to 573p, up 20 on the day — an unexceptional move for this often volatile stock.

Eurotunnel said that a further statement would be made, but no new official information was released before the end of trade. Volume in London was less than 250,000 shares, said marketmakers, but business in Paris, by contrast, was relatively heavy at 1.56m. Most of the trade in Eurotunnel shares is done in France.

## BAe not so sweet

British Aerospace faced a spate of bad news. The shares gave up 14 to 510p as the "hidden sweeteners" row returned following a charge that the UK Government knew that British Aerospace could expect £68m in hidden "sweeteners" and not £38m as previously revealed, as part of the deal for the completion of the sale of Rover Group to British Aerospace in 1988. There was speculation in the market about how much the European Commission would force BAe to repay.

Sentiment was also affected by the news that India had grounded its 14 remaining A-320 Airbus aircraft following last week's crash in Bangalore in which 90 people died. BAe builds the wings for the aircraft.

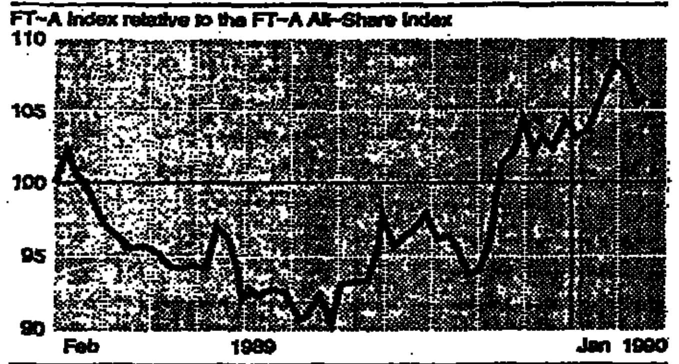
Finally, Kleinwort Benson, the securities house, weighed in with a £25m profits downgrading to £280m for the current year. Kleinwort blamed the cut on the cost of the current strike at a number of BAe plants in support of a claim for a shorter working week.

Oil and gas stocks held up well against an unhappy equity market with the sector sustained, according to traders, by firm crude oil prices and the sector's traditional defensive qualities of good yields.

BP, despite a couple of profits downgrades — fine-tuning after last week's figures, according to specialists — were only a few pennies easier at 345½p, with turnover of 4.3m well down on recent levels.

**Banks**

FT-A Index relative to the FT-A All-Share Index




Shell, a good performer last week, fell back 5 to 483p after BZW reaffirmed its "switch into BP" recommendation. BZW highlighted Shell's 8 per cent yield premium — "the lowest for almost five years," and reminded clients that the last time the premium approached this level Shell shares fell 8 per cent relative to the market. Shell is scheduled to announce fourth quarter figures on Wednesday; Hoare Govett forecasts net income of £830m against £702m.

A weekend press report that the financial retrenchment to be undertaken by Sock Shop might be a three-for-one rights issue to raise £16m knocked 7 off the shares to 34p. Sock Shop said the newspaper story was not true. French Connection fell 12 to 48p on fears that recent trading had been poor.

Among the leaders, Burton slipped 6 to 185p as Lang & Cruickshank joined the ranks of other brokers to cut profits forecasts on the weakness in the property sector.

BAT Industries was among the most heavily traded stocks in the market. Some 9.4m shares were registered on Seaq screens by the close with a block of 5m appearing on the ticker late. BATs closed a penny lower at 809p. The company has been buying in its own shares for some weeks.

Construction issues weathered the market squall, helped by a positive assessment of their prospects from County NatWest. Sector researcher Mr Angus Phaure admitted: "The housing news is bad but that is exactly what two years ago we said it would be." However, the housing industry is actually going through the eye of the storm while other sectors of the economy are just entering it, said Mr Phaure.

Most interest centred on Tarmac which, despite some concern that members of the Eurotunnel consortium might be forced to make provisions against costs' overruns, moved higher before turning back to end unchanged at 228p amid volume of 2.3m shares. Other consortium members were less fortunate and Costain shed 4 to 277p while George Wimpey lost 7 to 240p.

Arncliffe Holdings attracted buyers ahead of tomorrow's preliminary results, gaining 8 to 153p.

The banking sector had a quiet day and the big four eased with the market. None of the four turned over more than 1m shares although Barclays, seen with NatWest as the strongest in the sector, stood out with a decline of only a penny to 551p. NatWest slipped 7 to 333p ahead of today's full-year figures. Lloyds, with finals on February 23, eased 4 to 287p, while Midland, which reveals its results on February 22, fell 9 to 363p. Barclays concludes the season on March 1.

Sentiment in Midland was undermined by weekend press comment to the effect that 14.9 per cent shareholder Hongkong and Shanghai Bank was increasingly less likely to launch a bid for Midland in favour of the alternative of a merger.

Most internationally quoted stocks followed the market lower in the absence of a lead from Wall St, closed for a public holiday. Profit-taking after strong performances last week in Reuters, 19 off at 1046p, and Glaxo, 17 down at 726p, exacerbated their falls.

Water shares were thinly traded as dealers waited for the Government to make a decision on the Mergers and Monopolies Commission report into the Three Valley's merger proposals. A decision is expected at the end of this week or the begining of next, one analyst said.

The Water Package fell 12 to £1733, while Severn Trent added 1½ to 159p, still stimulated by talk of French stake building. North West was unchanged at 170p, Thames eased a penny to 168½p, South West lost 3 to 199p, and Southern was off 1 at 166p.

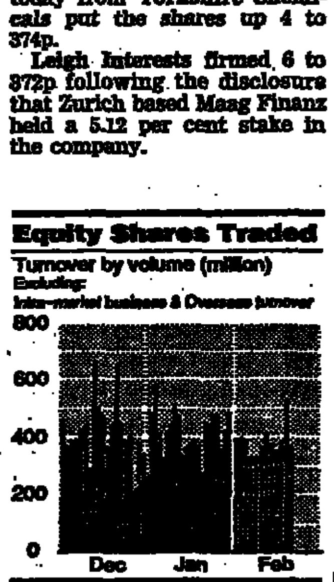
Investors in Grand Metropolitan were briefly encouraged by a positive statement from the chairman at the annual meeting. The shares climbed 7 at one point but fell back as the market's mood darkened to close at 591p, a net decline of 6. Trading was busy with 3.6m shares changing hands.

ICI, whose full year results are scheduled for Thursday, followed the market and ended 14 down at 1054p. But expectations of good full year figures today from Yorkshire Chemicals put the shares up 4 to 374p.

Leigh Interests firmed 6 to 372p following the disclosure that Zurich based Maag Finanz held a 5.12 per cent stake in the company.

**Equity Shares Traded**

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover




Chemoxy, currently the subject of a £12m bid from MTM, ended 5 better at 400p on talk that there might be "white knight" bid for Chemoxy. MTM, which yesterday posted the formal offer document, closed a penny better at 216p.

English China Clays was one of only a handful of stocks that bucked the market. The shares gained 8 to 373p following press tips that the shares had been oversold last week after the company issued a profits warning.

P-E International firmed 5 to 234p, the talk being that the buying activity was coming from the Netherlands and Switzerland. A weekend report said the company chairman was in talks with Swiss interests about developing the company's European interests.

P and P were lifted by positive sentiment ahead of today's full year results. The shares added 7 to 222p.

Priest Marians, the property group, added 15 to 293p following Friday's news that it had been approached by Grovewood Securities, a move which could lead to Grovewood making an offer. Priest had been as high as 325p in early trading but slipped back as some doubts set in on the financing of any possible bid. "People still feel gloomy about Priest Marians. It's all happened rather rapidly and there's a little bit of scepticism," said one analyst. "Priest needs either to sell properties or get a cash injection. Grovewood could only help with the latter, but it hasn't got the cash necessary," he added.

After the market closed, Grovewood announced it had raised its stake in Priest Marian's loan stock to 2.93 per cent. Grovewood closed unchanged at 200p. Early's of Whitney, the blanket and floor manufacturers, in which Grovewood holds a 19.5 per cent stake, dipped 24 to 224p.

The rest of the property sector was thinly traded with investors still fretting about the implications of last week's mortgage rate rise. MEPC was off 6 at 498p.

Television contractors were hard hit on fears of the possible damage being done by the current downturn in advertising expenditures. Tyne Tees was worst off, 12 lower at 341p, while Yorkshire fell 5 to 274p and TVS ended at 125p, for a decline of 4.

Trans World Communications, formerly Miss World, closed 7 better at 445p after the Takeover Panel ruled as unfounded allegations that inducements were offered by Miss World to certain shareholders in Piccadilly Radio. Miss World had made a conditional offer for Piccadilly.

FKI which last week lost ground after a profits warning from the company closed at 58p, unchanged on the day, sustained by a County NatWest buy recommendation. County, which has cut its 1990 full year forecast from £68m to £56m and for 1991 from £72m to £64m, said: "The bad news . . . is already in the rating."

GKN lost 5 to 398p as BZW trimmed profits expectations for 1989 forecast by £5m to £205m and for 1990 by £15m to £215m. BZW blamed the cut on the downturn in US car production where GKN has a big motor components market and a softening in conditions on the industrial side, particularly its supply of scaffolding and plant hire which has been affected by the slowing in the UK construction sector.

Asda was the busiest of the food retailing shares following a report last week that Metro, a Swiss food group, was ready to play an important role in a bid for the UK supermarket group. But dealers remained sceptical that a bid was in the offing and Asda closed 2 lower at 111p on 1.3m.

Tate & Lyle added 2 to 311p on 1.2m, boosted by US buying. RHM eased 6 to 410p on speculation that the troubles in the junk bond market may make a full bid by Sunningdale less likely.

Dealers in Courtaulds marked their prices down early in response to light selling. The price then steadied at 375p, down 11, as Kitcat & Aitken publicised its look-to-buy advice. Kitcat said that details of the demerger into chemicals and textiles divisions would be posted to investors tomorrow and should be positive for the stock.

USM-quoted TMD Advertising, which buys advertising space and time, was one of the few stocks in the agencies sector to move against the trend. In March 1989, the French company Carat, now owned by WCRS, the UK advertising agency, took a 29.9 per cent stake in TMD. Carat said it would not make a bid for 12 months and speculative investors were yesterday taking positions in anticipation of fresh moves as the moratorium draws to a close. TMD firmed 3 to 317p.

■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 27

## NEW HIGHS AND LOWS FOR 1989/90

[illegible]

## LONDON SHARE SERVICE

### BRITISH FUNDS

[illegible]

### BRITISH FUNDS—Contd

[illegible]

### INT. BANK AND O'SEAS

[illegible]

### CORPORATION LOANS

[illegible]

### COMMONWEALTH & AFRICAN LOANS

[illegible]

### LOANS

[illegible]

### FOREIGN BONDS & RAILS

[illegible]

### AMERICANS

[illegible]

### AMERICANS—Contd

[illegible]

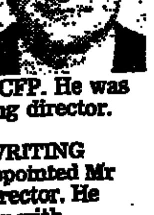
### CANADIANS

[illegible]

Continued on next page

## APPOINTMENTS

# Bostik UK managing director



Mr Don Breddle (pictured) has been appointed managing director of the BOSTIK UK operation, following the acquisition of the company by the French chemical company Orkem, which is owned by Total-CFP. He was sales and marketing director.

■ PIERI (UNDERWRITING AGENCIES) has appointed Mr G. Hodgson as a director. He was agency director with David Holman & Co.

■ NATIONAL & PROVINCIAL BUILDING SOCIETY has appointed Mr Nigel Whichelo as head of marketing, savings. He was market manager, investors.

■ Mr Douglas Roger Brookes has become managing director of DSRM GROUP. He was managing director of Stewart Warner.

■ STOCK GROUP has appointed Mr Roderick Davidson as chairman; Mr Iain Robertson as deputy chairman; and Mr Angus Samuels as chief executive. Stock Group is the holding company for Hoare Govett, Stock Beech, and Campbell Neill, and has acquired the private client business of Chase Manhattan Securities. It is a wholly-owned subsidiary of British & Commonwealth Merchant Banking Group.

■ SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY, Glasgow, has appointed Mr Bill Robertson as marketing manager (pensions). He was a consulting actuary with Hymans, Robertson & Co.

■ Mr Charles H. Warhaftig has joined the main board of MACRO 4 as chief executive office of Macro 4 Inc, a US subsidiary. He was president of CGI Systems, a subsidiary of CGI Informatique.

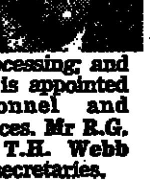
■ YORKSHIRE WATER has appointed Sir Giles Shaw, MP for Pudsey, as a non-executive director from March 1.

■ VALIN POLLEN has appointed to the board Mr John Harben, head of financial and corporate PR.

■ CHAMPION SPARKING PLUG CO has promoted Mr Robin Longdon from director of sales to director of sales and marketing, with additional responsibility for the technical department. He has been with the company for seven years.

■ Ms Christine Chatfield has been appointed financial director of GAVESTON DEVELOPMENTS, Warwick.

■ THE CO-OPERATIVE INSURANCE SOCIETY has appointed Mr P.D. Johnson (pictured) deputy chief general manager, additionally assecretary. Mr R.M. Harrington is made planning manager (admin.); Mr H. Griffith becomes manager, data processing; and Mr P.W.D. Smith is appointed manager, personnel and management services. Mr R.G. Taylor and Mr T.H. Webb become assistant secretaries.



ANZ GRINDLAYS BANK (JERSEY) has appointed Mr Nigel Cuming as investment manager. He was with Chase Bank and Trust (C.I.)

■ AMDAHL (UK) has appointed Mr Mike White as marketing director, and Mr Graham Johnson as southern regional sales director.

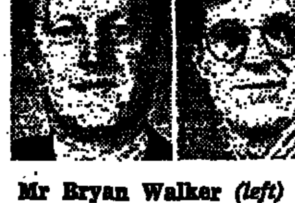
■ WEIR SYSTEMS, computer services arm of Weir Group, has appointed Mr Ian Connell as contracts director; Mr Mike Johnstone as North and Scotland regional director; and Mr Keith Nabarro as South and Midlands regional director.

■ BROWN SHIPLEY HOLDINGS has appointed Mr Bill Stuttaford to the board, and as chairman of Brown Shipley Investment Management. He was chairman of Framlington Group and senior partner of Laurence Prust & Co.

■ Mr Michael Cook has been appointed finance director of MAXWELL CONSUMER PUBLISHING & COMMUNICATIONS. He was finance director of Hunter Produce, part of Hunter Saphir.

■ Mr Peter Judson has been appointed marketing and distribution director of UNITED NEWS SHOPS, Leeds. He was senior executive of Poundstretcher Discount Store Group.

■ Mr Y. Mikoshiba has been appointed managing director of YASUDA TRUST EUROPE. He was deputy managing director and succeeds Mr K. Asai who is returning to The Yasuda Trust & Banking Co, Tokyo, as a general manager of the investment banking planning department.



Mr Bryan Walker (left) has been appointed marketing director, and Mr David Edwards (right) has been promoted to sales director at SHERWOOD INSURANCE SYSTEMS, a subsidiary of Sherwood Computer Services.

# LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

## BANKS, HP & LEASING

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS – Contd

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## ELECTRICALS

## ELECTRICALS – Contd

## ENGINEERING

## ENGINEERING – Contd

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS (Miscel.) – Contd

## INDUSTRIALS (Miscel.) – Contd.

## INSURANCES

## LEISURE

# LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

## MOTORS, AIRCRAFT TRADES

| 1989/90 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| £17¼ | £10¼ | DAF N.V. Fl1.5 | £10¼ | -¼ | H02.5 | 1.6 | 6.3 | 8.2 |
| 162 | 113 | General Mtrs Units | 230 | ..... | M12¼ | - | 5.8 | - |
| 906 | 264 | Jaguar | 849 | ..... | ♦11.0 | 0.5 | 1.7 | - |
| *61½ | 27 | March Group 5p | 43 | ..... | [illegible] | - | - | - |
| £207 | £94½ | Volkswagen DM50 | £200¼ | +1¼ | Q20% | 2.8 | 1.7 | 21.3 |
| £31[illegible] | £33[illegible] | Volvo Kr25 | £37[illegible] | [illegible] | Q56% | 3.1 | 3.6 | 9.4 |

### Commercial Vehicles

| 1989/90 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| *305 | 228 | ERF (Hldgs) | 231 | ..... | 15.0 | 3.7 | 8.7 | 4.1 |
| *245 | 166 | Plaxton Grp | 170 | ..... | H8.5 | 2.1 | 6.7 | 17.3 |

### Components

| 1989/90 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 498 | 375 | Abbey Panels | 438 | ..... | 3.5 | 10.4 | 1.1 | 11.6 |
| 290 | 185 | Airflow Streamlines | 225 | ..... | 6.0 | 4.2 | 3.6 | 9.0 |
| 268 | 143 | Bostrom 5p | 198 | ..... | L5.1 | 18.6 | 3.6 | 9.2 |
| 299 | 205 | Dowty 50p | [illegible] | -2 | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Contd

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRANSPORT

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## TRUSTS, FINANCE, LAND—Contd

[illegible]

### Finance, Land, etc

[illegible]

## WATER

[illegible]

For other Water issues see London Recent Issues

## OIL AND GAS

[illegible]

## OIL AND GAS—Contd

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

### Tins

[illegible]

## MINES—Contd

### Miscellaneous

[illegible]

## THIRD MARKET

[illegible]

### NOTES

[illegible]

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

### IRISH

[illegible]

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

[illegible]

### Property

[illegible]

### Oils

[illegible]

### Mines

[illegible]

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1,650 per annum for each security.

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

## AUTHORISED UNIT TRUSTS

**Abbey Unit Tst Mngrs (1000)H**
80 Holdenhurst Rd, Bournemouth 0345 717373

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| High Income | | | | | | |
| American Income | 6 | 49.18 | 49.18xd | 52.60 | -0.61 | 5.0 |
| Gilts & Fixed Int | 6 | 105.3 | 105.3 | 111.7 | -0.4 | 9.85 |
| High Inc Equity | 6 | 135.3 | 135.3xd | 144.8 | -0.5 | 4.39 |
| Worldwide Bond | 6 | 193.1 | 193.1xd | 204.6 | -0.7 | 6.30 |
| Capital Growth | | | | | | |
| American Growth | 6 | 178.8 | 180.7xd | 192.3 | -2.7 | 1.14 |
| Asian Pacific | 6 | 127.8 | 127.8 | 136.7 | +0.7 | 0.00 |
| Assets & Earnings | 6 | 156.6 | 156.6 | 167.5 | -0.7 | 3.01 |
| Capital Reserve Acc | 0 | 88.53 | 88.53 | 88.61 | -0.02 | 6.77 |
| Capital Reserve Inc | 0 | 78.56 | 78.56 | 78.62 | -0.02 | 7.63 |
| Comdty & Energy | 6 | 112.2 | 112.2 | 120.1 | +0.7 | 0.70 |
| Dividend & Growth | 6 | 46.67 | 47.71 | 50.76 | —— | 4.43 |
| 1992 Enterprise | 6 | 62.02 | 62.02 | 66.34 | +0.01 | 2.44 |
| Euro Capital Acc | 6 | 98.91 | 99.64 | 106.0 | +0.3 | 0.90 |
| Euro Capital Inc | 6 | 95.37 | 96.06 | 102.2 | +0.3 | 0.93 |
| General | 6 | 175.4 | 175.4xd | 187.6 | -0.8 | 2.67 |
| International | 6 | 61.44 | 62.10xd | 66.07 | -0.14 | 0.76 |
| Japan | 6 | 114.4 | 114.4 | 122.4 | -2.0 | 0.00 |
| Mastertrust | 6 | 90.08 | 90.08 | 96.35 | -0.46 | 1.47 |
| UK Growth Acc | 6 | 182.1 | 182.1 | 194.8 | +0.2 | 1.56 |
| UK Growth Dist | 6 | 120.4 | 120.4 | 128.8 | +0.2 | 2.38 |
| US Emerging Cos | 6 | 51.93 | 53.27 | 56.68 | -0.36 | 0.00 |
| Income & Growth | 6 | 301.3 | 301.3 | 322.3 | -1.1 | 3.18 |
| Ethical | 6 | 48.57 | 49.82 | 53.00 | -0.12 | 1.89 |

**Abtrust Management Ltd (1000)H**
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Amer Inc & Growth | 5¼ | 31.20 | 31.20 | 33.31 | -0.29 | 3.12 |
| European | 5¼ | 82.79 | 83.07xd | 88.68 | +1.16 | 0.00 |
| European Income | 5¼ | 79.56 | 79.70xd | 85.08 | +0.52 | 1.89 |
| Exempt | 1 | 745.7 | 745.7xd | 775.5 | -0.80 | 1.58 |
| Extra Income | 5¼ | 43.00 | 43.00 | 45.90 | -0.26 | 4.25 |
| F East Emerg Econs | 5¼ | 63.08 | 64.01 | 68.55 | -0.52 | 0.01 |
| Fund Inv Tst | 5 | 129.6 | 136.0 | 145.2 | +0.40 | 1.58 |
| Do Accum | 5 | 203.2 | 213.3 | 227.7 | +0.60 | 1.57 |
| Gilt & Fixed Int | 5¼ | 18.75 | 19.15 | 20.44 | -0.07 | 12.01 |

**Brycourt Unit Tst Mgmt Ltd (1400)F**
Hesketh Hse, Portman Sq, W1H 0JR 01-935 6382

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Income Growth | 1 | 192.1 | 192.1 | 199.0 | ..... | 4.89 |

**Buckmaster Mangmt Co Ltd (1200)H**
The Stock Exchange, London EC2P 2JT 01-588 2868

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Emerging Gwth | 5 | 61.33 | 62.78 | 66.61 | -0.25 | 3.20 |
| (Accum Units) | 5 | 63.51 | 65.01 | 68.98 | -0.25 | 3.20 |
| Fellowship Tst | 5 | 62.34 | 62.34 | 65.92 | -0.27 | 3.13 |
| (Accum Units) | 5 | 64.63 | 64.63 | 68.35 | -0.27 | 3.13 |
| General Inc | 5 | 290.7 | 290.7 | 307.4 | -1.3 | 5.49 |
| (Accum Units) | 5 | 498.2 | 498.2 | 526.9 | -2.2 | 5.49 |
| Income | 5 | 158.4 | 159.7 | 169.4 | -0.8 | 4.88 |
| (Accum Units) | 5 | 314.2 | 316.6 | 335.9 | -1.5 | 4.88 |
| International | 5 | 110.6 | 110.6 | 117.0 | +0.1 | 1.00 |
| (Accum Units) | 5 | 152.9 | 152.9 | 161.7 | +1.0 | 1.00 |
| Smaller Co's | 5 | 106.9 | 108.6 | 115.2 | -0.4 | 2.15 |
| (Accum Units) | 5 | 118.6 | 120.4 | 127.8 | -0.4 | 2.15 |
| Inv Portfolio | 2½ | 53.26 | 54.18 | 55.86 | -0.23 | 3.86 |
| (Accum Units) | 2½ | 55.84 | 56.80 | 58.56 | -0.24 | 3.86 |
| High Income Port | 3 | 47.00 | 47.68 | 49.41 | -0.3 | 6.39 |

**Burrage Unit Tst Mangmt Ltd (0905)F**
117 Fenchurch St, London EC3M 5AL 01-480 7216

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Sht Dtd Gilt & FI | 1¼ | 56.06 | 56.06 | 56.86 | -0.02 | 12.77 |

**CCF Foster Braithwaite UT Mngt (1100)F**
1 White Hart Yard, London SE1 1NX 01-407 5966

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| CCF Sel High Inc Eqty | | - | - | 50.00 | ..... | 5.5 |
| CCF Sel Intl Gwth | 5¼ | 49.31 | 49.31xd | 53.07 | +1.16 | 1.39 |
| CCF Sel Inv Tst | | - | - | 50.00 | ..... | 2.0 |
| CCF Sel UK Sm Co's | | - | - | 50.00 | ..... | 1.00 |

**CCL Unit Trusts Ltd (1400)F**
74 Shepherds Bush Green, W12 8SD 01-740 7070

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| UK General Tst | 5½ | 53.47 | 54.74xd | 58.24 | -0.28 | 2.25 |
| Global Tst | 5½ | 46.24 | 46.73 | 49.71 | -0.33 | 0.35 |
| Recovery Tst | 5½ | 46.80 | 48.06 | 51.12 | -0.21 | 1.92 |

**CIBC Unit Tst Managers plc (1200)H**
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Growth Fd Acc | 5 | 114.0 | 115.7 | 122.1 | -0.7 | 3.81 |

**CIS Unit Managers Ltd (1000)F**
PO Box 105, Manchester M60 0AH 061 837 5060

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| UK Growth | 6 | 102.3 | 103.8xd | 110.5 | -0.5 | 2.44 |
| UK Income | 6 | 102.9 | 104.7 | 111.4 | -0.4 | 5.57 |

**CS Fund Managers Limited (1000)H**
125 High Holborn, London WC1V 6PY 01-242 1148

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| CS America | 5 | 59.63 | 59.63 | 63.43 | -1.25 | 1.11 |

**PK English Trust (Inv Man) Ltd (1000)F**
12 Carthusian St, London EC1M 6EB 01-796 1200

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| American* | 4 | 59.57 | 60.00 | 62.70 | ..... | 0.0 |
| Far Eastern* | 4 | 182.53 | 185.79 | 193.22 | ..... | 0.1 |
| Growth* | 4 | 189.19 | 191.53 | 202.98 | ..... | 3.1 |
| Income† | 4 | 140.32 | 142.08 | 151.39 | ..... | 5.4 |
| Scandinavian† | 4 | 76.12 | 76.12 | 79.17 | ..... | 0.3 |

† Dealing Day: Wed. *Dealing day: Thurs.

## GUIDE TO UNIT TRUST PRICING

**INITIAL CHARGES**
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

**OFFER PRICE**
The price at which units may be bought.

**BID PRICE**
The price at which units may be sold.

**CANCELLATION PRICE**
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

**TIME**
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

**HISTORIC PRICING**
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm execution at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

**FORWARD PRICING**
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

**SCHEME PARTICULARS AND REPORTS**
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

## INSURANCES

## OTHER UK UNIT TRUSTS

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| **National Financial Management Corp PLC** | | | | |
| 72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539 | | | | |
| Life Funds | | | | |
| Managed Cautionary | 104.6 | 110.2 | +0.1 | – |
| Managed Growth | 141.1 | 148.6 | +0.3 | – |
| Managed Opportunity | 145.4 | 153.4 | +0.3 | – |
| NFMC Target Financial | 102.4 | 107.8 | +0.6 | – |
| Pension Funds | | | | |
| Managed Cautionary | 109.3 | 115.1 | +0.1 | – |
| Managed Growth | 145.8 | 153.5 | +0.4 | – |
| Managed Opportunity | 148.7 | 156.6 | +0.5 | – |
| NFMC Target Mngd Pen | 1530.3 | 1610.3 | –14.5 | – |
| **National Mutual Life** | | | | |
| The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422 | | | | |
| Managed Fund | 225.9 | 237.8 | —— | – |
| Managed Prospect Fund | 189.6 | 199.6 | —— | – |
| Pens Managed | 287.1 | 302.3 | —— | – |
| Pens UK Equity | 344.1 | 362.3 | —— | – |
| Pens Overseas Equity | 377.9 | 397.8 | —— | – |
| Pens Property | 161.6 | 170.2 | —— | – |
| Pens Fixed Interest | 177.1 | 186.5 | —— | – |
| Pens Index Linked | 145.9 | 153.6 | —— | – |
| Pens Deposit | 189.2 | 199.2 | —— | – |
| Harvester & P.R.P. | | | | |
| UK Equity | 150.3 | 158.3 | —— | – |
| Overseas Equity | 135.2 | 142.4 | —— | – |
| Fixed Interest | 121.1 | 127.5 | —— | – |
| Property | 134.5 | 141.6 | —— | – |
| Index Linked | 132.5 | 139.5 | —— | – |
| Deposit | 131.2 | 138.2 | —— | – |
| Managed | 144.6 | 152.3 | —— | – |
| With Profits | 134.7 | 141.9 | —— | – |
| **National Provident Institution** | | | | |
| 48 Gracechurch St, London EC3P 3HH 01-623 4200 | | | | |
| Managed | 342.3 | 360.4 | –2.5 | – |
| UK Equity | 441.5 | 464.8 | –3.1 | – |
| Overseas Eq. | 350.4 | 368.9 | –2.9 | – |
| Americas | 253.3 | 266.7 | –3.7 | – |
| Far East | 403.9 | 425.2 | –3.5 | – |

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| **Providence Capitol Life Assc. Co Ltd – Contd.** | | | | |
| Property Initial | 168.6 | | +0.1 | – |
| Money Initial | 78.6 | | —— | – |
| Special Market Initial | 140.8 | | –0.4 | – |
| Japan Equity Initial | 115.1 | | –1.6 | – |
| North American Initial | 79.4 | | –1.7 | – |
| Pacific Initial | 81.7 | | –0.1 | – |
| Technology Initial | 105.6 | | –0.1 | – |
| Nat Resources Initial | 97.0 | | +0.4 | – |
| European Initial | 101.6 | | +0.4 | – |
| Residential Prop Init | 103.5 | | —— | – |
| Swiss Equities Initial | 36.1 | | +0.2 | – |
| Hong Kong Initial | 47.1 | | –0.1 | – |
| UK High Inc Eq Init | 69.0 | | –0.9 | – |
| Int Fixed Interest Init | 49.0 | | –0.2 | – |
| Int Managed Init | 55.9 | | +0.2 | – |
| HIP Managed Init | 114.3 | | –0.1 | – |
| Broker Funds | | | | |
| High Performance | 75.7 | 79.8 | +0.8 | – |
| Towerhill Mngd Fd Acc | 53.5 | 56.4 | +1.1 | – |
| YRA Executive Fd | 92.4 | 97.4 | +0.2 | – |
| £ Global Growth Acc | 130.5 | 137.6 | —— | – |
| £ High Income Money Acc | 111.4 | 117.7 | —— | – |
| IM Balanced | 58.4 | | —— | – |
| H F. Speculator Fd | 155.0 | | +1.0 | – |
| PEP Acorn II | 125.4 | | +0.6 | – |
| PEP Cautionary | 94.7 | | +0.2 | – |
| AAFS Int Man Fund | 121.7 | | +0.5 | – |
| Andrews-Grant Inv Port | 105.6 | | —— | – |
| Individual Pension Funds | | | | |
| UK Equity Acc | 224.6 | 237.0 | –2.9 | – |
| UK Fixed Interest Acc | 176.9 | 186.7 | –0.4 | – |
| Intl Equities Acc | 242.8 | 256.2 | +2.6 | – |
| UK Managed Acc | 182.7 | 192.7 | –1.0 | – |
| Property Acc | 211.8 | 223.5 | +0.2 | – |
| Money Acc | 135.4 | 142.9 | +0.2 | – |
| Special Market Acc | 285.6 | 301.3 | –0.9 | – |
| Japan Equity Acc | 239.2 | 252.4 | –4.2 | – |
| North American Acc | 122.8 | 129.6 | –2.9 | – |
| Pacific Acc | 201.1 | 212.2 | –0.4 | – |
| Technology Acc | 178.9 | 188.8 | –0.1 | – |
| Natural Resources Acc | 112.3 | 118.5 | +1.0 | – |

## OFFSHORE AND OVERSEAS

## MANAGEMENT SERVICES

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

## SWITZERLAND (SIB RECOGNISED)

## CANADA (SIB RECOGNISED)

## GUERNSEY (**)

## JERSEY (**)

## ISLE OF MAN (**)

## LUXEMBOURG (**)

## DUBLIN (**)

## OFFSHORE INSURANCES

## OTHER OFFSHORE FUNDS

**Warburg Inv Mngmt (Isle of Man) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Mercury 90:10 Trust (Sicav) | | | | |
| Dollar Fd BOPUPs | $10.65 | 10.66 | ---- | - |
| Dollar Fd OPUPs | $12.93 | 13.07 | ---- | - |
| Sterling Fd BOPUPs | £10.76 | 10.77 | ---- | - |
| Sterling Fd OPUPs | £14.03 | 14.18 | ---- | - |
| DM Fd BOPUPs | DM10.31 | 10.32 | ---- | - |
| DM Fd OPUPs | DM12.78 | 12.92 | ---- | - |
| Yen Fd BOPUPs | $8.32 | 8.33 | ---- | - |
| Yen Fd OPUPs | $12.78 | 12.92 | ---- | - |

**Wardley Investment Services Ltd**

| | | | | |
|---|---|---|---|---|
| Wardley S E Asia Tst | $12.62 | 13.39 | ---- | 0.82 |

**Wells Fargo U.S. IT Fund**

| | | | | |
|---|---|---|---|---|
| NAV Feb 15 | | $9.60 | ---- | - |

**Yamaichi Dynamic Mngt Co SA**

| | | | | |
|---|---|---|---|---|
| Advanced Tech | | $27.25 | ---- | - |

# Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Charities Aid Fndtn Money Mngmt Co Ltd** | | | | |
| 48 Pembury Road, Tonbridge TN9 2JD | | | 0732 770114 | |
| Cafcash Deposit Fd | 14.71 | - | 15.55 | 3-mth |
| **The Charities Deposit Fund** | | | | |
| 2 Fore Street, London EC2Y 5AQ | | | 01-588 1815 | |
| Deposit | 14.80 | - | 15.64 | 3-Mth |
| **Gartmore Money Management Ltd** | | | | |
| 2-3 White Hart Yard, London SE1R 1NX | | | 01-236 1425 | |
| Call Fund | 14.69 | 11.49 | 15.76 | 6-Mth |
| 7-day Fund | 14.60 | 11.50 | 15.89 | 6 Mth |
| Special Fund | 14.84 | - | 16.31 | Mth |
| Dollar | 7.06 | 5.53 | 7.52 | 3 Mth |

# Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Aitken Hume Bank plc** | | | | |
| 30 City Road, EC1Y 2AY | | | 01-638 6070 | |
| Treasury Acc. | 13.50 | 10.56 | 14.64 | Qtr |
| Mthly Chq £1,000-£4,999 | 13.50 | 10.56 | 14.77 | Mth |
| Mthly Chq £5,000-£49,999 | 14.00 | 10.95 | 15.35 | Mth |
| Mth Int Chq £50,000+ | 14.50 | 11.35 | 15.94 | Mth |
| **Allied Trust Bank Ltd** | | | | |
| 97-101 Cannon St, London, EC4N 5AD | | | 01-629 6802 | |
| OMNA (£2,001+) | 14.50 | 11.35 | 15.94 | Mth |
| HICA (£2,001+) | 13.90 | 10.88 | 15.240 | Mth |
| **Bank of Ireland High Interest Cheque Acc** | | | | |
| 36 Queen St, EC4R 1BN | | | 01-625 7000 | |
| 2,000-9,999 | 13.738 | 10.750 | 14.922 | Qtr |
| £10,000+ | 14.058 | 11.000 | 15.283 | Qtr |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH | | | 01 601 6746 | |
| Money Mkt Cheque Acc | 13.6 | 10.64 | 14.9 | Mth |
| **Barclays Capital Advantage Account** | | | | |

## UNIT TRUST NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Election does not help yen

THE JAPANESE yen failed to gain support from news that the Liberal Democratic Party had won another term in office in Sunday's general election in Japan. The LDP victory was widely expected, as the party's popularity recovered from loss of control in the upper house of the Diet last July. In the run up to the election the yen had been reasonably firm and, therefore, was vulnerable to profit-taking yesterday.

The yen's decline also reflected a shift in attention to problems Japan may have with its trade partners now the election is over, and particularly US concern at the trade imbalance between the two countries. Another matter likely to come into focus in the near future is the level of interest rates, following suggestions that the Bank of Japan was waiting for the election before increasing its discount rate.

The prospect of higher Japanese interest rates was not a factor in the market yesterday however, as the yen lost ground to the D-Mark and to a generally weak dollar. The D-Mark rose to Y86.20 from Y85.85 against the yen at the London close, in spite of losing ground to the franc franc and Italian lira. The franc was the weakest member of the European Monetary System yesterday, but was steady against the D-Mark. The West German currency was fixed at FFr3.3983 in Paris, compared with FFr3.3975 on Friday, but eased to FFr3.3975 from FFr3.3990 in London. The Lira remained at the top of the EMS, around its cross rate limit against the franc. At the finish of trading in London the D-Mark had eased to L741.20 from L741.75.

Trading in the dollar was quiet, with US markets closed for Presidents' Day. There were no fresh economic factors to influence the US currency, and it tended to drift lower. In London the dollar fell to DM1.6770 from DM1.6785; to SFr1.4885 from SFr1.4930; and to FFr5.6975 from FFr5.7050, but improved to Y144.60 from Y144.10. According to the Bank of England the dollar's index declined to 66.9 from 67.1.

High London interest rates, and little prospect of a downward move in the foreseeable future, kept sterling firm. At the same time lack of confidence in other currencies added to its attraction. Sterling rose 70 points to $1.7025. It also climbed to DM2.8550 from DM2.8450; to Y246.25 from Y244.25; to FFr9.7000 from FFr9.6725; and to SFr2.5350 from SFr2.5325. On Bank of England figures sterling's index rose 0.2 to 89.9.

Last week's announcement of a general election in Australia helped support the Australian dollar. The Reserve Bank of Australia has eased its monetary policy recently, but is not expected to make any further moves in the run-up to the election on March 24. Several large buying orders for the local currency were seen in Sydney yesterday, pushing it up to the day's high of 76.15 US cents at the close. In London the Australian dollar closed at 76.10 cents, against 75.60 on Friday.

### EURO-CURRENCY INTEREST RATES

| Feb 19 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 14⅞-14¾ | 14⅞-14¾ | 15⅛-15 | 15⅛-15⅛ | 15¼-15⅛ | 15⅜-15¼ |
| US Dollar | 8¼-8⅛ | 8¼-8⅛ | 8⅜-8¼ | 8½-8⅜ | 8⅝-8½ | 8⅝-8½ |
| Can. Dollar | 12¾-12½ | 12¾-12½ | 12¾-12½ | 12¾-12½ | 12¾-12⅝ | 12¾-12⅝ |
| D. Guilder | 9-8⅞ | 9-8⅞ | 9-8⅞ | 9⅛-9 | 9¼-9⅛ | 9⅜-9¼ |
| Sw. Franc | 8¾-8½ | 9-8¾ | 9⅜-9¼ | 9½-9⅜ | 9⅝-9½ | 9⅝-9½ |
| Deutschmark | 7⅞-7¾ | 7⅞-7¾ | 8⅜-8¼ | 8⅝-8½ | 8⅞-8¾ | 9⅜-9¼ |
| Fr. Franc | 10½-10⅜ | 10⅞-10¾ | 10¾-10⅝ | 11⅛-11 | 11⅜-11¼ | 11⅝-11½ |
| Italian Lira | 13-11 | 13¼-12¾ | 13¼-12¾ | 13¼-12⅞ | 13¼-12⅞ | 13½-13¼ |
| B. Fr. (Fin) | 10⅛-10 | 10⅛-10⅛ | 10⅜-10¼ | 10⅝-10½ | 10⅞-10¾ | 11-10⅞ |
| B. Fr. (Con) | 10⅛-10 | 10½-10⅜ | 10⅝-10½ | 10⅞-10¾ | 11-10⅞ | 11¼-10⅞ |
| Yen | 6⅞-6½ | 6⅞-6⅝ | 7-6⅞ | 7⅛-7¼ | 7⅜-7¼ | 7½-7⅜ |
| D.Krone | 12⅛-11⅞ | 12¼-12 | 12¼-12 | 12½-12⅜ | 12⅝-12½ | 12⅞-12⅝ |
| Asian $Sing | 8⅝-8½ | 8⅝-8½ | 8⅜-8¼ | 8⅜-8¼ | 8⅝-8½ | 8⅝-8½ |

Long term Eurodollars: [illegible]

### £ IN NEW YORK

[illegible]

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

[illegible]

### CURRENCY RATES

[illegible]

### CURRENCY MOVEMENTS

[illegible]

### OTHER CURRENCIES

| Feb.19 | £ | $ |
|---|---|---|
| Argentina | 7194.25-7213.45 | 4220.00-4230.00 |
| Australia | 2.2380-2.2400 | 1.3135-1.3145 |
| Brazil | 44.0845-44.1655 | 25.8590-25.8990 |
| Finland | 6.7170-6.7385 | 3.9400-3.9500 |
| Greece | 266.25-270.75 | 156.66-159.15 |
| Hong Kong | 13.3025-13.3155 | 7.8075-7.8095 |
| Iran | 117.00* | 69.25* |
| Korea(Sth) | 1163.25-1182.00 | 687.90-693.30 |
| Kuwait | 0.49360-0.49520 | 0.29050-0.29130 |
| Luxembourg | 59.55-59.65 | 34.95-35.05 |
| Malaysia | 4.6010-4.6125 | 2.7015-2.7035 |
| Mexico | 4647.30-4655.50 | 2726.00-2730.00 |
| N. Zealand | 2.8830-2.8890 | 1.6920-1.6950 |
| Saudi Ar. | 6.3725-6.3760 | 3.7500-3.7510 |
| Singapore | 3.1655-3.1725 | 1.8600-1.8620 |
| S. Af (Cm) | 4.3275-4.3390 | 2.5420-2.5435 |
| S. Af (Fn) | 5.7770-5.8770 | 3.3900-3.4485 |
| Taiwan | 44.45-44.55 | 26.10-26.15 |
| U.A.E. | 6.2400-6.2435 | 3.6720-3.6730 |

*Selling rate

### POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

### EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

### EXCHANGE CROSS RATES

| Feb.19 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.703 | 2.855 | 246.3 | 9.700 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| $ | 0.587 | 1 | 1.676 | 144.6 | 5.696 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| DM | 0.350 | 0.596 | 1 | 86.27 | 3.398 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| YEN | 4.060 | 6.914 | 11.59 | 1000. | 39.38 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| F Fr. | 1.031 | 1.756 | 2.943 | 253.9 | 10. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| S Fr. | 0.394 | 0.672 | 1.126 | 97.16 | 3.826 | 1 | [illegible] | [illegible] | [illegible] | [illegible] |
| H Fl. | 0.311 | 0.529 | 0.887 | 76.54 | 3.014 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Lira | 0.473 | 0.805 | 1.349 | 116.4 | 4.584 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| C $ | 0.490 | 0.834 | 1.399 | 120.7 | 4.753 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| B Fr. | 1.678 | 2.857 | 4.790 | 413.3 | 16.28 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

### CAC-40 FUTURES (MATIF) Stock Index

| | Open | Close | Change | High | Low | Open Int. |
|---|---|---|---|---|---|---|
| February | 1850.0 | 1833.0 | -33.0 | 1850.0 | 1831.0 | 5,477 |
| March | 1848.5 | 1832.0 | -33.0 | 1848.5 | 1831.0 | 1,949 |
| April | 1851.0 | 1840.0 | -27.0 | 1851.0 | 1840.0 | 264 |
| June | - | - | - | - | - | 37 |

Estimated volume 5,685 Total Open Interest 7,727

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 15 | Co-operative Bank | *15 | NatWestminster | 15 |
| Adam & Company | 15 | Coutts & Co | 15 | Northern Bank Ltd | 15 |
| Allied Trust Bank | 15 | Cyprus Popular Bk | 15 | Norwich Gen. Trust | 15 |
| Allied Irish Bank | 15 | Dunbar Bank PLC | 15 | Nykredit Mortgage Bank | 15½ |
| ● Henry Ansbacher | 15 | Duncan Lawrie | 15 | PRIVATbanken Limited | 15 |
| Associates Cap Corp | 15½ | Equatorial Bank plc | 15 | Provincial Bank PLC | 16 |
| ● B & C Merchant Bank | 15 | Exeter Trust Ltd | 15½ | Roxburghe G'rantee | 15½ |
| Bank of Baroda | 15 | Financial & Gen. Bank | 15 | Royal Bk of Scotland | 15 |
| Banco Bilbao Vizcaya | 15 | First National Bank Plc. | 16 | Royal Trust Bank | 15 |
| Bank Hapoalim | 15 | ● Robert Fleming & Co. | 15 | ● Smith & Williamson Secs. | 15 |
| Bank Credit & Comm | 15 | Robert Fraser & Ptnrs. | 15½ | Standard Chartered | 15 |
| Bank of Cyprus | 15 | Girobank | 15 | TSB | 15 |
| Bank of Ireland | 15 | ● Guinness Mahon | 15 | ● United Bk of Kuwait | 15 |
| Bank of India | 15 | HFC Bank plc | 15 | United Mizrahi Bank | 15 |
| Bank of Scotland | 15 | ● Hambros Bank | 15 | Unity Trust Bank Plc | 15 |
| Banque Belge Ltd | 15 | Hampshire Trust Plc | 15½ | Western Trust | 15 |
| Barclays Bank | 15 | Heritable & Gen Inv Bnk | 15 | Westpac Bank Corp. | 15 |
| Benchmark Bank PLC | 15 | ● Hill Samuel | §15 | Whiteaway Laidlaw | 15 |
| Brit Bk of Mid East | 15 | C. Hoare & Co. | 15 | Yorkshire Bank | 15 |
| ● Brown Shipley | 15 | Hongkong & Shangh | 15 | | |
| CL Bank Nederland | 15 | ● Leopold Joseph & Sons | 15 | | |
| ● Charterhouse Bank | 15 | Lloyds Bank | 15 | | |
| Citibank NA | 15 | Meghraj Bank Ltd | 15 | | |
| City Merchants Bank | 15 | McDonnell Douglas Bnk. | 15 | | |
| Clydesdale Bank | 15 | Midland Bank | 15 | | |
| Comm.Bk.N.East | 15 | Mount Banking | 15 | | |
| | | Nat Bk. of Kuwait | 15 | | |

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

## MONEY MARKETS

# Rising rate worries

NERVOUSNESS ABOUT higher world interest rates led to a firmer tone on the London money market yesterday. Dealers fear that rates may rise in Tokyo now that the Japanese general election is out of the way, and the West German Bundesbank is likely to tighten its monetary stance if moves towards German monetary union increase inflationary pressure.

There is also little optimism about the inflationary outlook in the UK - amid fears that the year-on-year rise in retail prices could soon reach 8 per cent from January's figure of 7.7 per cent - adding to the market's fears that interest rates are more likely to move up than down. Three-month sterling interbank rose to 15$\frac{3}{16}$-15⅛ from 15⅛-15$\frac{1}{16}$ per cent.

UK clearing bank base lending rate 15 per cent. from October 5

On Liffe short sterling futures were supported by the strength of sterling against the dollar and D-Mark. The June contract opened weaker at 85.10 and touched a low of 85.08, but rallied to close at 85.14, little changed from Friday's finish of 85.15.

The Bank of England forecast a large day-to-day credit shortage of £1,050m and provided total assistance of £912m.

An early round of help was offered and at that time the authorities bought £377m bills, including £337m outright, in band 2 at 14⅞ per cent. Another £40m were purchased for resale to the market on February 26, at 14$\frac{15}{16}$ per cent.

Before lunch a further £89m bank bills were bought outright in band 2 at 14⅞ per cent. In the afternoon the Bank of England bought £291m bank bills outright, in band 2 at 14⅞ per cent. Late assistance of around £155m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,409m, with Exchequer transactions absorbing £50m, and bank balances below target £125m. These outweighed a fall in the note circulation adding £535m to liquidity.

In Frankfurt call money was steady at 7.70 per cent, as banks had ample liquidity, in spite of money flowing out of the system to meet tax payments. The Bundesbank is expected to announce a securities repurchase agreement tender today, and to roughly replace the DM19.5bn draining from the money market on Wednesday as an earlier pact expires.

### FT LONDON INTERBANK FIXING

[illegible]

### MONEY RATES

NEW YORK (4pm Feb 16) Treasury Bills and Bonds

[illegible]

### LONDON MONEY RATES

[illegible]







## LEGAL NOTICES

Nature of business

Holding Company
Trade classification: 03
Date of appointment of joint administrative receivers
1 February 1990
Name of person appointing the joint administrative receivers Gulf Oil (Great Britain) Limited
JOSEPH PATRICK CONSIDINE and CHRISTOPHER JOHN HUGHES
Joint Administrative Receivers
(Office holder nos 056 and 141)
Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

**CURRAN (WEST) LIMITED**
**Registered Number: 1747296**

Nature of Business: Petroleum Products Distribution
Trade classification: 03
Date of appointment of joint administrative receivers: 5 February 1990
Name of person appointing the joint administrative receivers: National Westminster Bank Plc
JOSEPH PATRICK CONSIDINE and CHRISTOPHER JOHN HUGHES
Joint Administrative Receivers
(Office holder nos 056 and 141)
Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ.

**ST J GROUP PLC**

Registered number: 1556295
Nature of business: Property Development & Investment
Trade classification: 35
Date of appointment of joint administrative receivers: 5 February 1990
Name of person appointing the joint administrative receivers: Guardian Assurance plc
MALCOLM JOHN LONDON and CHRISTOPHER JOHN HUGHES
Joint Administrative Receivers
(Office holder nos 191 and 141) of
Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ.

**CURRAN OILS LIMITED**
**Registered Number: 1629202**

Nature of Business: Property Holdings Company
Trade classification: 35
Date of appointment of joint administrative receivers: 6 February 1990
Name of person appointing the joint administrative receivers: Hill Samuel Bank Limited
Michael Anthony Jordan and Malcolm John London Joint Administrative Receivers
(Office holder nos 2172 and 2082)
Both of
Shelley House
3 Noble Street
London EC2V 7DQ

## COMPANY NOTICES

**GADEK (MALAYSIA) BERHAD**
**(INCORPORATED IN MALAYSIA)**

NOTICE IS HEREBY GIVEN THAT a Second Interim Dividend of 6 sen per share less 35% Malaysian Income Tax has been declared in respect of financial year ended 31st December, 1989 payable on 20th March, 1990 to shareholders whose names appear on the members' register on 9th March, 1990.

Duly completed transfers received by the Company up to 5.00 p.m. on 9th March, 1990 shall be accepted for registration for the above purpose.

BY ORDER OF THE BOARD
AHMAD SHAHAB HJ DIN
RIDWAN MUSTAFFA
Secretaries

20th February 1990.

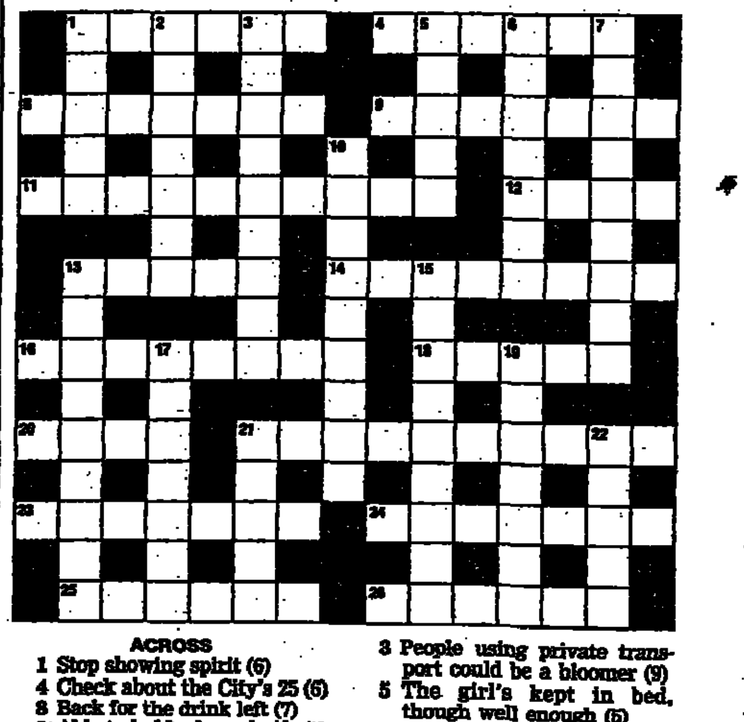
## ART GALLERIES



JOTTER PAD

## CROSSWORD

No.7,169 Set by VIXEN



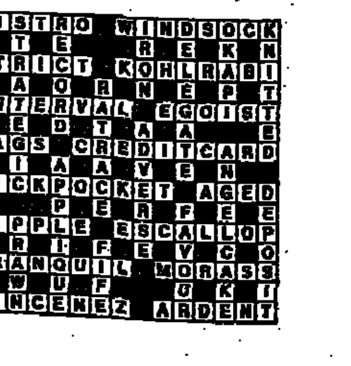
**ACROSS**

1 Stop showing spirit (6)
4 Check about the City's 25 (6)
8 Back for the drink left (7)
9 Able to hold a large knife (7)
11 Change the blend of tea on trial (10)
12 Attack the right to 8 (4)
13 A little contralto sticking around to see the composer (5)
14 "No fruits, no flowers, no leaves, no birds, —" (Hood) (8)
16 Retire an infirm old family servant (6)
18 No 21 down will make music (5)
20 American journalist found employment (4)
21 Excellent cider may be offered by the board (10)
23 He's responsible for stock build-up, naturally (7)
24 What a person generally does at home (7)
25 22, a drought-stricken area (6)
26 A complaint laid by the French union (6)

**DOWN**

1 Gather under a quarter go by water (5)
2 Work with newsmen, and so get abuse (7)
3 People using private transport could be a bloomer (9)
5 The girl's kept in bed, though well enough (5)
6 A couple of beasts in need of sorting out! (7)
7 The top man pretends to be upset about one (9)
10 Basis for the table d'hote meal? (6-3)
13 Walk around unquestioned, and that's greatly valued (9)
15 Few show 21 down (9)
17 Having a little notice, prepare a speech (7)
19 Approaching Grannie for change (7)
21 Understood about a Shakespearean role (5)
22 Permission given for 25 (5)

Solution to Puzzle No.7,168



# WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

## CANADA

### TORONTO
*Closing prices February 19*

[illegible]

### MONTREAL
Closing prices February 19

[illegible]

Total Sales 5,121,647 shares.

## INDICES

### NEW YORK

| DOW JONES | Feb 16 | Feb 15 | Feb 14 | Feb 13 | 1989/90 HIGH | 1989/90 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ◆Industrials | 2635.59 | 2649.55 | 2624.32 | 2624.10 | 2810.15 (2/1/90) | 2144.64 (3/1/89) | 2810.15 (2/1/90) | 41.22 (2/7/32) |
| Home Bonds | 91.46 | 91.55 | 91.35 | 91.49 | 94.15 (2/8/89) | 87.35 (23/3/89) | — | — |
| Transport | 1079.30 | 1081.26 | 1083.21 | 1084.10 | 1532.01 (5/9/89) | 959.95 (3/1/89) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 221.27 | 221.96 | 222.21 | 222.40 | 236.23 (2/1/90) | 181.84 (24/2/89) | 236.23 (2/1/90) | 10.50 (8/4/32) |

◆Day's High 2669.37 (2658.78) Low 2623.65 (2614.86)

| STANDARD AND POOR'S | Feb 16 | Feb 15 | Feb 14 | Feb 13 | 1989/90 HIGH | 1989/90 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 332.72 | 334.90 | 332.01 | 331.02 | 359.80 (9/10/89) | 275.31 (3/1/89) | 359.80 (9/10/89) | 4.40 (1/6/32) |
| Industrials | 383.81 | 386.51 | 383.13 | 382.31 | 411.20 (2/1/90) | 318.66 (3/1/89) | 411.20 (2/1/90) | 3.62 (21/6/32) |
| Financial | 28.62 | 28.53 | 28.05 | 27.81 | 35.24 (9/10/89) | 24.30 (3/1/89) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 183.75 | 184.70 | 183.21 | 182.85 | 199.34 (9/10/89) | 154.98 (3/1/89) | 199.34 (9/10/89) | 4.46 (25/4/42) |
| Amex Mkt. Value | 358.77 | 359.60 | 358.78 | 358.45 | 397.03 (10/10/89) | 305.24 (3/1/89) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 429.01 | 429.61 | 426.56 | 425.75 | 485.73 (9/10/89) | 378.56 (3/1/89) | 485.73 (9/10/89) | 54.87 (31/10/72) |

| | Feb 9 | Feb 2 | Jan 26 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 4.09 | 4.16 | 4.20 | 3.63 |

| | Feb 14 | Feb 7 | Jan 31 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 3.11 | 3.09 | 3.13 | 3.13 |
| S & P Indl. P/E ratio | 14.21 | 14.23 | 14.04 | 13.63 |

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Philip Morris | 2,473,700 | 38¼ | − 1 |
| IBM | 2,200,700 | 103½ | − ¼ |
| Growth Fd | 2,010,600 | 12⅝ | − ⅛ |
| Global Marine | 1,988,000 | 5⅞ | — |
| Amoco Corp | 1,842,200 | 55¼ | — |
| Texas Utilities | 1,842,200 | 35 | — |
| Gen Electric | 1,794,600 | 62 | − ⅛ |
| Exxon | 1,785,200 | 48 | − ½ |
| Am T&T | 1,720,400 | 39¾ | − ½ |
| Gen Motors | 1,710,700 | 43 | − 1 |

### TRADING ACTIVITY

| † Volume (Millions) | Feb 16 | Feb 15 | Feb 14 |
|---|---|---|---|
| New York | 166.840 | 174.630 | 139.458 |
| Amex | 12.317 | 11.397 | 9.433 |
| NASDAQ | (u) | 152.376 | 139.539 |
| Issues Traded | 1,934 | 1,951 | 1,941 |
| Rises | 762 | 899 | 740 |
| Falls | 727 | 564 | 684 |
| Unchanged | 445 | 488 | 517 |
| New Highs | 32 | 32 | 23 |
| New Lows | 41 | 61 | 70 |

### CANADA

| TORONTO | Feb 19 | Feb 16 | Feb 15 | Feb 14 | 1989/90 HIGH | 1989/90 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3037.47 | 3029.97 | 3017.93 | 2972.35 | 3919.2 (1/9/89) | 2933.48 (12/2/90) |
| Composite | 3734.76 | 3731.68 | 3732.74 | 3750.38 | 4037.8 (6/10/89) | 3350.5 (6/1/89) |
| MONTREAL Portfolio | 1901.23 | 1901.93 | 1898.09 | 1899.14 | 2069.68 (10/10/89) | 1677.48 (3/1/89) |

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | Feb 19 | Feb 16 | Feb 15 | Feb 14 | 1989/90 HIGH | 1989/90 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1645.9 | 1641.4 | 1638.5 | 1636.6 | 1781.8 (29/8/89) | 1412.9 (7/4/89) |
| All Mining (1/1/80) | 846.0 | 840.5 | 841.5 | 838.4 | 875.1 (29/8/89) | 652.6 (7/4/89) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 663.28 | 655.06 | 634.15 | 622.32 | 663.28 (19/2/90) | 219.5 (2/1/89) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 5922.67 | 5890.53 | 5810.61 | 5800.06 | 6805.28 (26/9/89) | 5519.30 (4/1/89) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (u) | 373.65 | 372.36 | 372.58 | 380.32 (5/2/90) | 275.49 (27/2/89) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 661.5 | 658.7 | 656.5 | 656.7 | 815.8 (18/4/89) | 588.8 (23/11/89) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 507.08 | 509.05 | 505.65 | 507.32 | 561.6 (11/10/89) | 417.9 (4/1/89) |
| CAC 40 (31/12/87) | 1838.03 | 1871.12 | 1856.86 | 1853.99 | 2006.42 (4/1/90) | 1525.38 (27/2/89) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 790.28 | 791.13 | 772.40 | 769.85 | 807.13 (5/2/90) | 535.78 (27/2/89) |
| Commerzbank (1/12/53) | 2309.5 | 2308.2 | 2261.6 | 2258.6 | 2370.8 (6/2/90) | 1595.7 (27/2/89) |
| DAX (30/12/87) | 1869.19 | 1893.66 | 1850.96 | 1832.23 | 1939.43 (5/2/90) | 1271.70 (23/2/89) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2968.00 | 2939.25 | 2910.04 | 2870.43 | 3309.64 (15/5/89) | 2093.61 (5/6/89) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1797.97 | 1818.31 | 1818.18 | 1821.78 | 1893.10 (22/1/90) | 1360.64 (10/1/89) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 676.18 | 675.94 | 666.11 | 663.86 | 734.84 (31/8/89) | 577.49 (28/2/89) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 37222.68 | 37460.32 | 37471.99 | 37155.89 | 38915.87 (29/12/89) | 30183.79 (5/1/89) |
| Tokyo SE (Topix) (4/1/68) | 2718.56 | 2746.05 | 2742.21 | 2723.30 | 2884.80 (18/12/89) | 2366.91 (6/1/89) |
| 2nd Section (4/1/68) | 4244.39 | 4261.26 | 4261.83 | 4254.68 | 4284.68 (9/2/90) | 2774.38 (27/3/89) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 620.13 | 614.37 | 618.37 | 606.89 | 620.13 (19/2/90) | 357.31 (3/1/89) |
| **NETHERLANDS** | | | | | | |
| CBS Ttl.Rtn.Gen.(End 1983) | 250.4 | 253.3 | 250.9 | 249.3 | 272.7 (21/9/89) | 208.3 (3/1/89) |
| CBS All Shr (End 1983) | 192.1 | 194.3 | 192.5 | 191.2 | 210.5 (8/9/89) | 166.7 (1/3/89) |
| **NORWAY** | | | | | | |
| Oslo SE (2/1/83) | 814.37 | 816.41 | 798.33 | 798.08 | 816.41 (16/2/90) | 467.17 (2/1/89) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1048.88 | 1040.35 | 1034.48 | 1059.87 | 1396.26 (20/11/89) | 804.62 (6/2/89) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 441.31 | 440.17 | 439.57 | 436.73 | 443.34 (6/2/90) | 300.07 (4/1/89) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1938.0 | 1942.0 | 1947.0 | 1921.0 | 2254.0 (12/12/89) | 1291.0 (15/2/89) |
| JSE Industrial (28/9/78) | 3076.0 | 3073.0 | 3076.0 | 3051.0 | 3211.0 (6/2/90) | 1961.0 (3/1/89) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 859.24 | 872.50 | 874.09 | 872.63 | 1007.80 (3/4/89) | 844.75 (11/12/89) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 282.96 | 283.55 | 283.05 | 282.60 | 328.93 (13/9/89) | 268.61 (1/3/89) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (31/12/56) | (u) | (u) | (u) | (u) | 4660.3 (16/8/89) | 3333.9 (3/1/89) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 778.0 | 775.6 | 771.1 | 767.3 | 829.1 (6/9/89) | 613.1 (3/1/89) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 11792.65 | 11659.50 | 12026.03 | 12231.91 | 12495.34 (10/2/90) | 4873.01 (5/1/89) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 838.98 | 824.90 | 802.30 | 794.73 | 918.67 (5/1/90) | 386.73 (2/1/89) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | (u) | 542.5 | 542.2 | 538.9 | 571.0 (4/1/90) | 487.6 (13/6/89) |

**Saturday Feb. 17: Taiwan Weighted Price: 11804.40 Korea Comp Ex. 866.93

& Subject to official recalculation.
Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks
Monday February 19 1990

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nippon Steel | 10.1m | 707 | -82 |
| Tekken Constr | 7.3m | 1,670 | +103 |
| Kubota | 5.4m | 1,170 | +104 |
| Sharp | 4.8m | 1,890 | -605 |
| Kawasaki Steel | 4.7m | 780 | -156 |
| MHI | 4.6m | 1,070 | -307 |
| NKK | 4.6m | 705 | -58 |
| Sumitomo Mt Id | 4.4m | 791 | -119 |
| Sumitomo Corp | 3.9m | 1,510 | -1010 |
| Hitachi | 3.9m | 1,520 | -40 |

*4pm prices February 16*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A–A–A – | | | | | | | | |
| 37½ | 24¼ | AAR | .48 | 1.5 | 19 | 522 | 31⅛ | 30⅞ | 31⅛ | + ⅜ |
| 9⅜ | 8½ | ACM n | 1.26 | 13. | | 197 | 9⅝ | 9⅛ | 9⅝ | + ⅛ |
| 11⅝ | 10½ | ACMIn | 1.26 | 11. | | 454 | 11⅛ | 11 | 11 | – ⅛ |
| 9⅞ | 8 | ACM M | p1.01 | 12. | | 271 | 8⅞ | 8⅛ | 8¼ | – ⅛ |
| 12⅜ | 11½ | ACMMM | | | | 68 | 11⅝ | 11½ | 11½ | – ⅛ |
| 11½ | 10 | ACM Sc1.26 | | 11. | | z627 | 11⅛ | 11 | 11 | |
| 9⅝ | 8⅛ | ACMSc | 1.01 | 11. | | 344 | 9¼ | 9⅛ | 9¼ | + ⅛ |
| 19⅞ | 11½ | AL Lab | .16 | .8 | 20 | 17 | 19¼ | 19 | 19⅛ | – ⅛ |
| 4⅛ | 3¼ | AMCA | .12e | 3.6 | 8 | 20 | 3⅜ | 3⅛ | 3⅜ | + ⅛ |
| 6⅛ | 3⅞ | AM Ind | | | 8 | 155 | 3⅞ | 3⅝ | 3⅝ | – ⅛ |
| 23½ | 16¼ | AM In pf | 2 | 11. | | 8 | 17⅝ | 17⅝ | 17⅝ | + ⅛ |
| 107¼ | 52½ | AMR | | | 8 | 7037 | 56½ | 55¼ | 56 | + ⅞ |
| 27 | 25 | ANR pf | 2.67 | 11. | | 1 | 25¼ | 25¼ | 25¼ | – ¼ |
| 5½ | 3½ | ARX | | | | 79 | 3⅝ | 3¼ | 3⅝ | |
| 72¾ | 39 | ASA | 3a | 5.1 | | 2369 | 59¼ | 57⅝ | 58⅞ | + ⅞ |
| 70⅜ | 48½ | AbtLab | 1.40 | 2.1 | 17 | 3516 | 66¼ | 65¼ | 65⅜ | – ⅜ |
| 17¾ | 11¼ | Abitibi g | .50 | | | 15 | 12⅝ | 12⅝ | 12⅝ | – ⅛ |
| 13 | 8⅞ | AcmeC | .40 | 4.4 | 10 | 110 | 9¼ | 8⅞ | 9 | + ⅛ |
| 39½ | 25½ | Acuson | | | 20 | 158 | 33 | 32⅝ | 32¾ | + ⅛ |
| 16½ | 12⅞ | AdaEx | 2.08e | 13. | | 106 | 15⅝ | 15½ | 15½ | – ⅛ |
| 15⅜ | 7¼ | Adobe | | | | 32 | 13⅛ | 13 | 13 | – ⅛ |
| 20¼ | 16⅞ | Adob pf | 1.84 | 9.6 | | 17 | 19¼ | 18⅞ | 19⅛ | + ¼ |
| 21⅝ | 19⅞ | Adob pf | 2.40 | 11. | | 31 | 21⅛ | 21⅛ | 21⅛ | |
| 10⅞ | 6⅞ | AMD | | | 5 | 1666 | 7¼ | 7⅛ | 7¼ | + ⅛ |
| 35 | 28⅜ | AMD pf | 3 | 10. | | 31 | 30 | 30 | 30 | |
| 10¼ | 5⅛ | Advest | .16 | 3.2 | 7 | 1420 | 5⅞ | d 5 | 5 | – ⅞ |
| 62½ | 48½ | AetnLf | 2.76 | 5.4 | 9 | 2906 | 51⅞ | 50⅞ | 51¾ | +1¼ |
| 14 | 9⅞ | AflPb | .24 | 2.2 | | 1195 | 10⅞ | 10½ | 10⅞ | + ¼ |
| [illegible] | | | | | | | | | | |


Continued on Page 47

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 28 | 20 | Wynns | .80 | 3.0 | 10 | 1 | 20½ | 20½ | 20½ | - ⅛ |
| 12⅛ | 6 | Wyse |  |  |  | 57 | 9⅝ | 9⅜ | 9⅜ | - ⅛ |
| | | —X—Y—Z— | | | | | | | | |
| 59 | 49¾ | Xerox | 3 | 6.0 | 8 | 4759 | 50½ | 49⅞ | 50⅛ | + ½ |
| 41⅛ | 23½ | XTRA | .72 | 2.9 | 30 | 251 | 24⅞ | 24½ | 24⅞ | + ⅜ |
| 32⅛ | 21 | XTRA pf1.94 |  | 9.0 |  | 5 | 21⅝ | 21⅝ | 21⅝ | + ⅛ |
| 4⅛ | 2⅛ | Zapata |  |  |  | 3605 | 3½ | 3⅛ | 3⅜ |  |
| 21½ | 8¾ | ZenithE |  |  |  | 1517 | 9 | 8⅞ | 9 | + ⅛ |
| 21½ | 14 | ZeniNt | .84 | 5.3 | 8 | 208 | 16 | 15⅞ | 16 |  |
| 9⅞ | 6¾ | Zenix | 1.08 | 17. |  | 135 | 6½ | 6⅜ | 6½ |  |
| 19½ | 14 | Zero s | .40 | 2.8 | 13 | 233 | 14⅛ | 14 | 14 |  |
| 44⅛ | 25¾ | Zurnin | .76 | 2.0 | 17 | 464 | 37½ | 37 | 37½ | + ½ |
| 12⅝ | 10 | Zweig | 1.21e | 10. |  | 263 | 11⅝ | 11½ | 11⅝ |  |
| 10 | 8¾ | ZweigTl | .96 | 9.8 |  | 852 | 9⅝ | 9⅝ | 9⅝ | + ⅛ |

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year. omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

4pm prices February 16

# NASDAQ NATIONAL MARKET

4pm prices February 16

| Stock | Div. | P/E | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| WiscTy |  | 15 | 65 | 10½ | 10½ | 10½ |  |
| WiserO | .40 | 56 | 145 | 21⅛ | 20⅞ | 21⅛ |  |
| Wolohn | .28b | 9 | 12 | 16⅛ | 15¾ | 16⅛ | + ½ |
| WrlwEx h |  |  | 1290 | 13⅝ | 13 | 13⅜ | + ⅝ |
| Worthg | .56 | 16 | 456 | 21 | 20¾ | 21 | + ¼ |
| Wyman | .60 |  | 271 | 14⅛ | 13½ | 14⅛ | + ⅛ |
| | | | —X—Y—Z— | | | | |
| XL Dta s |  | 4 | 628 | 7¼ | 7 | 7 | - ⅛ |
| XOMA |  |  | 1432 | 20 | 19⅜ | 19⅝ | + ⅛ |
| Xicor |  | 144 | 994 | 3⅛ | 2⅞ | 2⅞ |  |
| Xyvsn |  |  | 49 | 2⅛ | d 2⅛ | 2⅛ | + 1-16 |
| YanEnS | .76e | 13 | 196 | 21½ | 20⅞ | 20⅞ |  |
| YelowF | .76 | 37 | 274 | 24⅞ | 24⅛ | 24⅛ | - ⅝ |
| YorkRs |  | 18 | 205 | 10⅛ | 9⅝ | 9⅝ | - ⅝ |
| ZionUt | 1.44 | 12 | 6 | 27¼ | 27 | 27¼ | + ⅛ |



Continued on Page

FINANCIAL TIMES Tuesday February 20 1990

EUROPE

# Domestic bonds disorder spreads to equity values

A NUMBER of continental bourses closed weaker yesterday, as worries about Japanese interest rates infected domestic bond markets, *writes Our Markets Staff.*

**FRANKFURT** watched fearfully as the London futures market in German bonds weakened, following renewed interest rate fears in Tokyo overnight. West Germany's bond market fell sharply thereafter, to take yields up 20 basis points to 9.06 per cent.

German equities, historically, have followed bonds. However, yesterday's reaction was relatively mild; the FAZ index eased only 0.85 to 790.28 at midsession, and the DAX closed 24.47 lower at 1,869.19.

That still leaves the DAX up 4.4 per cent this year, whereas bond yields, according to Merck Finck, the Düsseldorf private bank, have risen by 16 per cent in the same period. Prospects in eastern Europe appear to be responsible for the gap in performance, with equities firm on foreign-led buying, and bonds falling on worries about German monetary union and the projected cost of rebuilding East Germany's economy.

Foreign investors were less in evidence yesterday. Volume tumbled from DM11.4bn to DM8.6bn. However, their recent penchant for chemical companies was still in evidence. Bayer rose DM3.50 to DM643 while the falls in BASF, of DM2.90 to DM309, and Hoechst, of DM1.20 to DM317.80, were both below average.

Mr Matthias Weltiche, an analyst with Merck Finck, said that while chemicals might be in for a cyclical downturn in business performance, their shares had already reflected this – standing still over the past two years when earnings had been rising fast.

Daimler was one of the big losers, falling DM19 to DM900.50. Volkswagen fell DM4 to DM569. VW, like the big chemicals, is on a single digit p/e, and it issued an encouraging progress report over the weekend.

Among other blue chips, Veba plunged DM17 to DM435. Once again, it topped the individual volume lists in turnover of DM1.05bn. It was rumoured that one big foreign investor has been executing a very big selling order in the stock, comprising 2.5m to 3m shares or about 4 per cent of the equity.

Both **MILAN** and **ZURICH** saw early gains pared as apprehension about Japanese interest rate prospects joined and accentuated what was happening in the German bond market. The Comit index ended 0.24 higher at 676.18 and the Crédit Suisse index rose 1.1 to 617.5.

**PARIS** ended its brief independence from its own plunging bond market, and followed it lower yesterday. Only Eurotunnel defied the trend with any conviction.

The CAC 40 index lost 33.09, or 1.8 per cent, to 1,838.03 in modest trading of about FFr2.5bn. Declines had come as portfolio managers switched their funds out of blue chip stocks into the money market, said one salesman.

**The weekly review of the stock markets' performance will appear tomorrow**

Eurotunnel gained FFr3, or 5.6 per cent, to FFr56.50 in the day's most active trading, on hopes that the consortium, the banks and Transmanche Link, the contractor, were making progress in talks on funding for the project.

Road makers fell on declining earnings prospects; the Government is said to be focusing more on the TGV high-speed train network than on building highways. Colas lost FFr29, or 4.1 per cent, to FFr682 and Screg fell FFr50, or 4.4 per cent, to FFr1,100. Elsewhere in the construction sector, Ciments Français, the cement group, lost FFr60, or 4.4 per cent, to FFr1,305.

**AMSTERDAM**, also, was discouraged by a falling domestic bonds market and fears of higher Japanese interest rates exacerbated Dutch worries. The CBS tendency index lost 1.2 to 109.1.

Royal Dutch lost Fl 1.90 to Fl 146.20; it reports 1989 results tomorrow. Heineken moved against the trend, rising 10 cents to Fl 110.80 after the strikes at two of its plants ended. The brewer agreed at the weekend to drop a reorganisation plan which would have cut its Dutch workforce by 700 by 1993, and said it was willing to discuss a new plan.

**BRUSSELS** was nervous about higher interest rates and the market's recent poor performance, but the cash market index managed to rise 32.14 to 5,922.67.

Raffinerie Tirlemontoise, the sugar refiner, gained BFr5 to BFr3,325 in one of the largest daily turnovers of a stock seen on the bourse. About 2.45m shares – or 50 per cent of the outstanding shares – were traded on the first day of the West German Südzucker's public offer for the 25 per cent of the shares it did not yet own.

Groupe Bruxelles Lambert, which last week wrote off its stake in Drexel Burnham Lambert, eased BFr105 to BFr4,015.

**STOCKHOLM** declined as interest rates rose against a background of political instability, but the market defied gloomier predictions as the banks reopened after a three-week dispute. The Affärsvärlden General index fell 16.9 to 1,157.9.

**OSLO** closed at a record high, with the all-share index up 0.31 at 619.16. The index has risen strongly this year and some dealers said they were growing cautious after the recent rapid gains.

**HELSINKI** closed higher in thin trade on the first day of southern Finland's traditional winter holiday week. Turnover was again hit by the industrial action in Finnish banks, most of which have been closed since February 1.

The Unitas all-share index rose 2.8 to 661.5.

**VIENNA** rose to its third consecutive high. The bourse index rose nearly 2 per cent, and yesterday's session was prolonged by 30 minutes to cope with trade.

Construction shares and blue chips were sought by foreign investors keen to profit from Austrian companies' traditional links with developing industry in post-communist eastern Europe.

**COPENHAGEN** shares fell in a delayed reaction to the two-week-old slump in local bond prices. Banks, which are sensitive to bond prices, led the downward trend but heavyweight shipping and industry units were quick to follow.

# Toronto marks time in wait for Budget

THE LACK of direction from New York – where markets were closed for the President's Day holiday – led to subdued trading in Toronto, which closed with mixed gains in slow trading.

Banking shares rose on expectations that the bank rate would ease after the Budget's release.

The composite index gained 3.08 to 3,734.76, with declines outnumbering advances 337 to 221. Volume of 16.7m shares was lower than Friday's 24.3m shares. Trading value was C$159.8m, compared with C$304m on Friday.

Nine of the 14 sub-indices were lower. Industrial products shares declined, while golds finished up more than 1 per cent and mining stocks posted gains. Consumer products issues and energy stocks were stable.

American Barrick climbed C$2⅜ to C$24⅛. On Friday, a Utah judge upheld Barrick's position that Gold Standard was only entitled to a 15 per cent net profits interest in a Utah mine, rather than a 25 per cent working interest.

AMCA preferred A shares rose C$⅞ to C$25½. The company said it plans to redeem the series on March 30.

SOUTH AFRICA

# Political doubts subdue trade in Johannesburg

POLITICAL uncertainties continued to dominate trading in Johannesburg and the stock market closed quietly mixed. The holiday on Wall Street also subdued trading.

The JSE Gold index lost 4 points to 1,938, while the Industrial index rose 3 to 3,076. The overall share index was up 2 at 3,141.

Gold shares moved up slightly during the course of the day but drifted lower towards the close, in spite of a relatively firm bullion price. Randfontein lost R1 to R28.50 and Kloof fell 75 cents to R40.25, although Beatrix rose R1 to R29.50.

Diamond stock De Beers gained R1 to R66.75.

JAPANESE ELECTION

# Nikkei falls on discount rate fears

THE LIBERAL Democratic Party's strength in Sunday's elections failed to impress investors in the equity market. Relief over the LDP majority was quickly replaced by fears of a rise in the official discount rate, and share prices fell sharply in thin trading, *writes Michiyo Nakamoto in Tokyo.*

Share prices rose in early trading but the buoyant mood was short-lived. After an early rise of over 150, the Nikkei average lost 237.72 to 37,222.60 by the close, after moving from a high of 37,610.52 to a low of 37,097.42.

Declines outnumbered advances by 668 to 243 with 205 unchanged, as turnover slipped to only 341m shares from the 520m traded on Friday. The broad-based Topix index lost 27.49 to 2,718.56 and, in London, the ISE/Nikkei 50 index eased 3.47 to 2,008.52.

Selling by arbitrageurs unwinding their futures positions also contributed to the fall. Issues which had risen on domestic demand were particularly vulnerable to selling on this score.

These included the big steel companies, many which of saw declines. Nippon Steel topped the volumes list with 10.1m shares and dropped Y8 to Y707. Kawasaki Steel declined Y15 to Y780 and Mitsubishi Heavy Industries fell Y30 to Y1,070.

Expectations that the US would intensify pressure on Japan to deal with what it considers the country's structural impediments, including high land prices, put a damper on many issues that had risen on the strength of their property assets. Real estate issues were depressed. Mitsui Real Estate fell Y20 to Y2,690 and Mitsubishi Estate lost Y40 to Y2,800.

High-technology issues, favoured recently on their good earnings prospects, were broadly lower. Hitachi lost Y40 to Y1,520, NEC was down Y50 at Y1,930, Sony dropped Y160 to Y8,200 and Canon lost Y50 to Y1,660 amid reports that its operating profits in the term to December would fall 25 per cent.

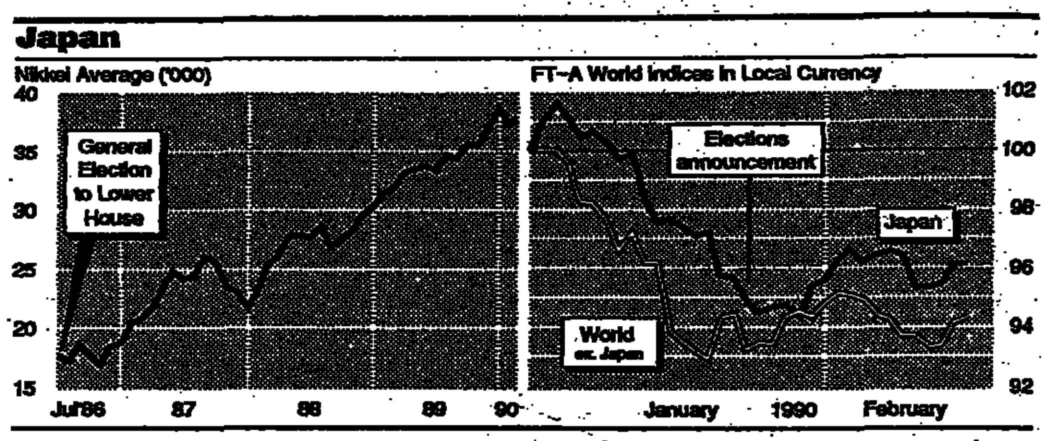
Special situations kept their shine. Tekken Construction, the medium-sized construction company pursued for its ties with Japan Railways, a company that was expected to be listed in the near future, added Y10 to Y1,870. It was second in volume with 7.3m shares.

Kubota, a leading industrial machinery maker, followed in volume and rose Y10 to Y1,170.

In Osaka, small-lot selling in the face of fears of a discount rate increase took the OSE average 140.77 lower to 38,557.02. Turnover rose from 57.9m shares on Friday to 63.8m.

# LDP win fails to spark celebration

## Michiyo Nakamoto on why the result will not end investors' worries




THE LACKLUSTRE performance by Tokyo financial markets in the past two months has been widely attributed to investors' worries about the outcome of Japan's general election. Yet on the day that the Liberal Democratic Party (LDP) was revelling in a resounding victory, the markets, perversely, found little cause for celebration.

Analysts had hoped that a decisive LDP victory in Sunday's elections would allay fears of political turmoil in Japan and thereby clear the path for a recovery of the yen, and in bond and equity prices. But they were forced yesterday to fall back on the idea that a big LDP win had already been discounted in last Friday's market levels.

In the foreign currency market, the yen closed the day only marginally higher at Y144.52 against the dollar. The bond and equity markets saw a quick shift of focus away from political developments to interest rate worries and fell sharply, amid speculation on another increase in the official discount rate.

Prices on the bond futures market took an early downturn, which spilled over to the cash bond market. The price of the benchmark 119th government bond dropped Y0.32 to Y87.92. The yield rose 0.065 percentage point to 6.930 per cent.

On the Tokyo stock market, the plunge of 237 points in the Nikkei average to 37,222.60 came in quiet trading. Only 341m shares were traded on the first section of the TSE yesterday, a lower than normal level.

Daily turnover on the TSE has fallen almost 70 per cent, according to one foreign securities firm, compared with the end of last year when developments in eastern Europe contributed to a euphoric mood on the Tokyo market.

Investors are aware that, in spite of its victory, the LDP will still face rough sailing with its legislative programme, having lost its majority in the upper house of the Diet in last July's elections. "Policy negotiations between the LDP and the opposition have entered a new era," said Mr Jesper Koll, economic analyst at S.G. Warburg Securities in Tokyo.

Meanwhile, the end of the election campaign refocused investors' attention on the possibility that the Bank of Japan would now feel less inhibited about raising its official discount rate. The central bank is believed to have been in favour of a further rise in the discount rate, last raised by 0.5 points to 4.25 per cent on Christmas day, for some time.

Now the LDP has secured a stable majority and the threat of political upheaval has been removed, "this creates a favourable environment for a rate increase," said Mr Norio Watanabe, director of Crédit Suisse Investment Advisory.

Apart from the election, there were other factors weighing on prices yesterday. Institutional investors, who have held on to stocks which they bought late last year at higher prices, are under extreme pressure to maximise returns on their investments before they close their books at the end of March.

"If share prices rise, that will immediately trigger selling," said Mr Masao Fujita, senior manager of the Capital Markets Trading Department at Sanwa Bank. It follows that, since investors know that institutions are poised to sell, there is little temptation to buy into a rising market.

The resumption of US-Japan structural impediments talks on Thursday also seemed likely to keep a lid on any enthusiasm. Now that the elections are over, US pressure on Japan to tackle its structural problems, including high land prices, is expected to intensify. This could lead to weakness in many of the issues that led the market's rise late last year.

ASIA PACIFIC

# Active Malaysia breaks another record

LEADING REGIONAL markets gained ground, in spite of Tokyo's cautious decline, with Malaysia and Singapore both at, or near, record levels.

**KUALA LUMPUR** broke Friday's record in busy trading, boosted by a recent string of good corporate results. The composite index rose 5.76 to a high of 620.13.

Mechmar gained 52 cents to M$5.10 on talk of its involvement in a M$300m land reclamation project. Promet, the Malaysian development and construction company, was the most active issue, losing 14 cents to M$1.58 after reports at the weekend that the Government would cancel the company's resort development concession on the island of Langkawi.

**SINGAPORE** rose as institutions and individual investors bought actively. The Straits Times Industrial index gained 8.46 to 1,593.23, just below the record 1,593.77 set on February 12. Turnover grew to 209m shares worth S$333m, from Friday's 148m valued at S$289m.

Activity concentrated on banking stocks, industrials and speculative Malaysian stocks. QAF, which has agreed to sell 45 per cent of its Brunei subsidiary for S$748m, was the most active issue, rising 3 cents to 92 cents with 20.1m shares traded.

**HONG KONG** built on the previous week's gains and overcame some profit-taking in mid-morning. The Hang Seng index advanced 28.75 to 2,968.00 in busy trading. The release last week of the proposed constitution for Hong Kong after 1997 has removed the political uncertainty from the market. Turnover was HK$1.61bn, up from Friday's HK$1.6bn.

Hongkong Bank, which reports results next month, was the most active issue, rising 5 cents to HK$7.55. The bank last week joined the syndication which is helping the Peking-backed CITIC to finance its acquisition of 20 per cent of Hongkong Telecom. Hongkong Telecom added another 10 cents to HK$5.65.

Trading was also heavy in Crusader, which rose 7 cents to 97 cents in the wake of last week's news of positive results from its gold prospecting activities in Brazil.

Dao Heng Holdings gained 60 cents to HK1.50 after reporting improved six-month profits.

**AUSTRALIA** ended slightly higher after a day of generally dull trading, as a lift in metals' prices lent support to the resources sector.

The All Ordinaries index finished 4.5 up at 1,645.9. Volume was 77m shares worth A$121m – its second lowest level so far this year – compared with Friday's 75m and A$152m.

The closure of Wall Street discouraged some investors from entering the local market, which was also affected by uncertainty in Tokyo. Investors are also awaiting the release this week of several companies' half-yearly results.

Elders IXL rose 4 cents to A$2.42, buoyed by reports that it is close to finalising an asset swap with Grand Metropolitan of the UK.

Adelaide Steamship shed 2 cents to A$5.30. Brierley Investments (BIL), a New Zealand investment concern, announced it was proposing to sell its 150m shares in Industrial Equity (IEL) to Dextran, a unit of Adsteam. IEL was steady at A$2.20, while BIL fell 5 cents to A$1.35.

Western Mining recovered 12 cents to A$5.78 after falling sharply last week following its poor profits result.

**NEW ZEALAND** also suffered from light trading; the Barclays index fell 20.20 to 1,864.09. Volume was 5.5m shares, worth NZ$11m, compared with 8m shares, worth NZ$12.9m, on Friday.

A moderate loss on Wall Street on Friday added to local pessimism. Brierley Investments topped the turnover list, falling 4 cents to NZ$1.74.

**TAIWAN** eased after rising 1.2 per cent on Saturday. The weighted index fell 11.75 to 11,792.65 on volume of 876m shares worth NT$123bn, up from 666m and NT$101bn.

**SEOUL** declined for the third session in a row, with the composite index down 7.69 at 859.24 in thin trading.

**JAKARTA** gained ground in volume almost twice that registered on Friday. The Jakarta index added 5.22 to 473.23 on trading of 2.7m shares, up from 1.4m. Among the day's winners was Merck Indonesia, the pharmaceutical company, which gained 1,200 rupiah to 12,000 rupiah.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY FEBRUARY 19 1990 | | | | | | FRIDAY FEBRUARY 16 1990 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Day's change % local currency | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1989/90 High | 1989/90 Low | Year ago (approx) |
| Australia (84) | 146.02 | +1.1 | 127.16 | 127.61 | +0.4 | 5.25 | 144.37 | 126.24 | 127.08 | 160.41 | 128.28 | 136.19 |
| Austria (19) | 264.71 | +2.8 | 230.52 | 230.60 | +1.8 | 1.15 | 257.52 | 225.19 | 226.43 | 264.71 | 92.84 | 97.52 |
| Belgium (61) | 142.01 | +1.1 | 123.67 | 122.58 | +0.4 | 4.54 | 140.43 | 122.79 | 122.07 | 160.02 | 125.58 | 134.98 |
| Canada (120) | 140.45 | +0.0 | 122.31 | 122.04 | +0.0 | 3.38 | 140.45 | 122.81 | 122.04 | 154.17 | 124.67 | 133.76 |
| Denmark (36) | 250.57 | −0.9 | 218.20 | 220.24 | −1.0 | 1.46 | 252.77 | 221.03 | 222.51 | 260.82 | 165.35 | 158.11 |
| Finland (26) | 149.52 | +0.5 | 130.21 | 123.79 | +0.0 | 2.40 | 148.80 | 130.12 | 123.82 | 159.16 | 118.63 | 146.22 |
| France (125) | 145.77 | −1.5 | 126.94 | 130.28 | −1.6 | 2.89 | 147.93 | 129.36 | 132.39 | 157.97 | 112.57 | 116.61 |
| West Germany (96) | 132.10 | +0.0 | 115.04 | 115.17 | −0.1 | 1.84 | 132.07 | 115.49 | 115.25 | 137.01 | 79.56 | 85.50 |
| Hong Kong (46) | 121.37 | +0.8 | 105.69 | 121.68 | +0.8 | 4.71 | 120.36 | 105.25 | 120.67 | 140.33 | 88.41 | 132.34 |
| Ireland (17) | 190.40 | −0.8 | 165.81 | 169.42 | −1.0 | 2.57 | 191.97 | 167.87 | 171.15 | 198.57 | 125.00 | 142.55 |
| Italy (96) | 96.89 | +0.2 | 84.37 | 89.94 | +0.1 | 2.56 | 96.68 | 84.54 | 89.89 | 102.11 | 74.97 | 81.65 |
| Japan (455) | 183.00 | −1.4 | 159.36 | 167.27 | −1.1 | 0.49 | 185.66 | 162.34 | 169.11 | 200.11 | 164.22 | 198.24 |
| Malaysia (36) | 244.72 | +0.4 | 213.11 | 254.71 | +0.3 | 2.08 | 243.75 | 213.15 | 253.89 | 244.72 | 143.35 | 157.21 |
| Mexico (13) | 374.40 | +0.1 | 326.04 | 1116.71 | +0.0 | 0.46 | 374.12 | 327.14 | 1117.09 | 374.40 | 153.32 | 161.47 |
| Netherland (43) | 137.51 | −0.9 | 119.75 | 118.59 | −1.1 | 4.54 | 138.80 | 121.37 | 119.86 | 145.66 | 110.63 | 115.01 |
| New Zealand (18) | 66.67 | −0.9 | 58.05 | 59.95 | −1.3 | 5.75 | 67.29 | 58.84 | 60.74 | 88.18 | 62.64 | 72.55 |
| Norway (24) | 241.39 | −0.2 | 210.21 | 211.98 | −0.2 | 1.44 | 241.98 | 211.59 | 212.42 | 241.98 | 139.92 | 169.82 |
| Singapore (26) | 196.99 | +0.7 | 171.54 | 168.94 | +0.3 | 1.72 | 195.68 | 171.11 | 168.44 | 199.38 | 124.57 | 141.91 |
| South Africa (60) | 215.59 | +3.1 | 187.74 | 161.12 | +0.0 | 3.46 | 209.05 | 182.80 | 161.19 | 251.39 | 115.35 | 126.20 |
| Spain (43) | 155.38 | +0.2 | 135.31 | 127.30 | −0.1 | 4.12 | 155.06 | 135.59 | 127.39 | 169.75 | 143.14 | 144.34 |
| Sweden (35) | 182.03 | −1.7 | 158.51 | 165.32 | −1.6 | 2.21 | 185.13 | 161.89 | 168.01 | 206.95 | 138.45 | 151.65 |
| Switzerland (62) | 97.59 | +0.3 | 84.99 | 90.06 | +0.0 | 1.99 | 97.31 | 85.09 | 90.07 | 99.12 | 67.81 | 77.49 |
| United Kingdom (306) | 159.24 | −0.7 | 138.67 | 138.67 | −1.1 | 4.59 | 160.39 | 140.25 | 140.25 | 164.31 | 133.28 | 152.04 |
| USA (542) | 134.62 | +0.0 | 117.23 | 134.62 | +0.0 | 3.53 | 134.62 | 117.72 | 134.62 | 146.29 | 112.13 | 120.80 |
| Europe (989) | 142.59 | −0.5 | 124.17 | 124.64 | −0.7 | 3.45 | 143.26 | 125.27 | 125.57 | 146.66 | 112.63 | 120.30 |
| Nordic (121) | 190.52 | −1.1 | 165.91 | 163.22 | −1.1 | 1.83 | 192.57 | 168.39 | 165.06 | 201.89 | 137.95 | 147.63 |
| Pacific Basin (667) | 179.30 | −1.3 | 156.14 | 163.94 | −1.0 | 0.73 | 181.65 | 158.84 | 165.60 | 194.72 | 160.44 | 192.90 |
| Euro–Pacific (1656) | 164.82 | −1.0 | 143.53 | 148.29 | −0.9 | 1.69 | 166.50 | 145.59 | 149.65 | 174.18 | 141.56 | 168.85 |
| North America (662) | 134.88 | +0.0 | 117.46 | 133.84 | +0.0 | 3.52 | 134.88 | 117.94 | 133.84 | 146.66 | 112.79 | 121.49 |
| Europe Ex. UK (683) | 131.11 | −0.3 | 114.17 | 115.89 | −0.5 | 2.69 | 131.51 | 114.99 | 116.45 | 135.73 | 96.30 | 100.77 |
| Pacific Ex. Japan (212) | 134.70 | +0.9 | 117.30 | 122.02 | +0.4 | 4.67 | 133.54 | 116.77 | 121.50 | 140.05 | 111.93 | 129.08 |
| World Ex. US (1849) | 164.60 | −0.9 | 143.34 | 147.82 | −0.9 | 1.76 | 166.14 | 145.28 | 149.12 | 173.77 | 141.49 | 162.43 |
| World Ex. UK (2085) | 152.27 | −0.6 | 132.60 | 143.82 | −0.6 | 2.07 | 153.25 | 134.00 | 144.62 | 162.00 | 136.98 | 145.86 |
| World Ex. So. Af. (2331) | 152.49 | −0.7 | 132.79 | 143.17 | −0.8 | 2.29 | 153.53 | 134.25 | 144.05 | 161.84 | 138.67 | 146.52 |
| World Ex. Japan (1936) | 138.86 | −0.1 | 120.92 | 131.02 | −0.3 | 3.54 | 139.00 | 121.55 | 131.36 | 145.52 | 114.51 | 121.46 |
| The World Index (2391) | 152.87 | −0.6 | 133.13 | 143.29 | −0.6 | 2.30 | 153.87 | 134.54 | 144.17 | 162.05 | 136.68 | 146.40 |


Finland: Trading on the Helsinki exchange has been reduced following a banking employees dispute.
US market closed February 19.